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U.S. Bureau of Agricultural Economics
Title:
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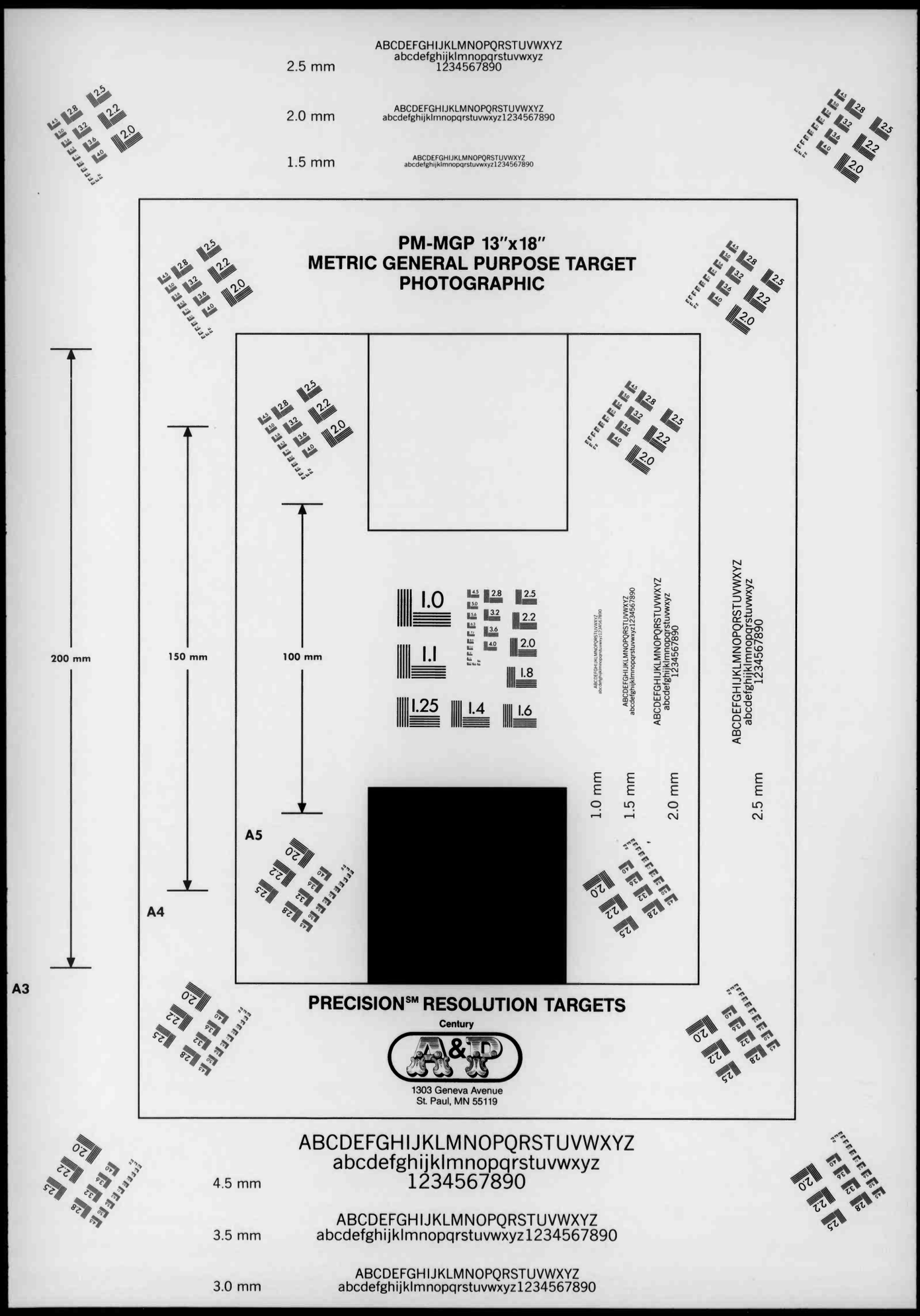
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Techniques, costs & margins in distributing cotton products

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TECHNIQUES, COSTS, AND MARGINS IN DISTRIBUTING COTTON PRODUCTS

By L. D. Howell, Agricultural Economist

A Preliminary Report

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In May 1945, a conference was held at Memphis, Tennessee, on the Postwar Agricultural and Economic Problems of the Cotton Belt. The conference was held at the request of the Agricultural Subcommittee on a Postwar Cotton Program, U. S. House of Representatives. The Honorable Stephen Pace is Chairman of the Subcommittee. The attendance was made up of approximately 45 men, representing agencies and institutions which were developing research programs on the agricultural and economic problems of the Cotton Belt. Some of the other agencies most interested in obtaining the products of such research programs were also represented.

At that meeting, plans were formulated for bringing together existing information and such other facts as might be assembled within a reasonable time in various specific problem fields relating to cotton and Southern agriculture, and a preliminary outline of the information, facts, and analyses needed was prepared. This outline as revised includes 10 problem fields or projects. This report contains the information assembled by the Bureau of Agriculture Economics on one segment of Project III, "Cotton Goods Production and Distribution Techniques, Costs, and Margins," and has not yet been reviewed by the Central Steering Committee selected at the Memphis Conference. Work on other segments of this project are in progress.

The steering committee for project III includes:

L. D. Howell (Chairman), Bureau of Agricultural Economics
John W. Wright, Production and Marketing Administration
A. A. Mercier, U. S. Tariff Commission
R. J. Cheatham, Bureau of Agricultural and Industrial Chemistry
(New Orleans, Louisiana)

Other committee members for this project include:

Ruth O'Brien, Maragret L. Brew, and Marie A. Linck, Bureau of Human Nutrition and Home Economics
J. D. Dean, Bureau of Agricultural and Industrial Chemistry
(New Orleans, Louisiana)
W. L. Taylor, Southern Railway System
Solomon Barkin, Textile Workers Union of America

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TECHNIQUES, COSTS, AND MARGINS IN DISTRIBUTING COTTON PRODUCTS

By L. D. Howell, Agricultural Economist

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Introduction

Substantial changes in methods and practices of distributing cotton products were made during the war period and other changes are in progress, but the available information is not adequate for indicating the kinds and magnitude of many of these changes and the extent to which they represent temporary adjustments to war and other abnormal developments. Such information as can be found for these more recent years is here presented to supplement the more adequate data we have for the prewar years. Together they form a basis for better appraising the situation in the postwar period.

Cotton products as they come from manufacturers include yarn, thread, fabrics, and fabricated products. Cotton yarn manufactured in 1939, according to census reports, totaled about 3,145 million pounds, of which about 88 percent was carded and 12 percent was combed. Yarn production in the United States usually is integrated with the later operations of weaving, knitting, and other manufacture, but considerable

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At that meeting, plans were formulated for bringing together existing information and such other facts as might be assembled within a reasonable time in various specific problem fields relating to cotton and Southern agriculture, and a preliminary outline of the information, facts, and analyses needed was prepared. This outline as revised includes 10 problem fields or projects. This report contains the information assembled by the Bureau of Agriculture Economics on one segment of Project III, "Cotton Goods Production and Distribution Techniques, Costs, and Margins," and has not yet been reviewed by the Central Steering Committee selected at the Memphis Conference. Work on other segments of this project are in progress.

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TECHNIQUES, COSTS, AND MARGINS IN DISTRIBUTING COTTON PRODUCTS

By L. D. Howell, Agricultural Economist

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Introduction

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Cotton products as they come from manufacturers include yarn, thread, fabrics, and fabricated products. Cotton yarn manufactured in 1939, according to census reports, totaled about 3,145 million pounds, of which about 88 percent was carded and 12 percent was combed. Yarn production in the United States usually is integrated with the later operations of weaving, knitting, and other manufacture, but considerable

quantities are produced for sale. In 1939, yarns produced by combined spinning and weaving mills for their own use accounted for about 2,592 million pounds or 82 percent of the total, and that produced by specialized spinners and others for sale accounted for 553 million pounds or about 18 percent. A large proportion of the sales yarn is produced by specialized spinning mills but some integrated mills sell surplus yarn that is not needed by their weaving mills.

Cotton yarns consumed by cotton manufacturers in the United States in 1939, according to census reports, totaled about 2,722 million pounds, of which about 4.6 percent was used by the cotton-yarn industry, 91.9 percent by the cotton broad-woven goods industry, 1.7 percent by the cotton narrow-fabrics industry, and 1.8 percent by the cotton thread industry. The number of cotton-manufacturing establishments included in census reports totaled 1,248, of which 349 were primarily engaged in the spinning, twisting, winding, and spooling of cotton yarn for sale as such, or for transfer to affiliated plants; 661 in weaving fabrics more than 12 inches wide; 163 in weaving or braiding fabrics 12 inches and narrower in width; and 75 in the spinning, twisting, and manufacture of cotton sewing thread or crochet, darning, hand-knitting, and embroidery cottons for sale as such (19). 1/

Census reports and other information indicate that in the late 1930's about 30 percent of the woven cloth was used in the gray unfinished form, about 11 percent was colored yarn fabrics styled and finished by mills, and 59 percent was finished from the gray. Similar reports indicate that of the total output of cotton manufacturers in the United States in 1939 about 37 percent went into industrial uses, about 38 percent was used in the manufacture of clothing, and about 25 percent was used in household goods (5).

The services of manufacturing and distributing the various kinds of cotton products are integrated to a considerable extent. During the war, price and production regulations favored the extension of unified control to include earlier and later stages in production, such, for example, as the entry of weavers into the converting stages, or of cloth manufacturers into the production of night-wear and other types of finished apparel. Recent reports indicate a continuing and perhaps growing interest in the possibilities of further combinations (9). Lack of uniformity in the kind and extent of integration and the limited information available on the kinds and amounts of services rendered by distribution agencies complicate the problem of showing the techniques, costs, and margins in distributing cotton goods. Although the information assembled is presented under the headings, "Partially Manufactured Products" and "Products for Ultimate Consumption," such a grouping is not entirely satisfactory. The same agency may handle both kinds of products and in many instances the information is not adequate for indicating differences in practices, techniques, and costs for the different kinds of products.

1/ Underlined numbers in parentheses refer to literature cited, p. 77.

Partially Manufactured Products

Partially manufactured cotton products include some yarn, thread, and fabrics, but other yarn, thread, and fabrics are ready for distribution to ultimate consumers when they leave the mill. The information regarding techniques, costs, and margins in distributing intermediate cotton products, as given in this section of the report, is limited mainly to that for manufacturers, finishers, and wholesalers. These agencies also handle some products that are ready for distribution to ultimate consumers and any differences in the techniques, costs, and margins in distributing these kinds of products are not clearly indicated.

Present Practices and Techniques

Information regarding present practices and techniques in distributing yarn, thread, and fabrics, as intermediate cotton products, is presented in the order listed.

Yarn.- Census data indicate that of the 553 million pounds of sales yarn produced in 1939 about 70 percent was carded and 30 percent combed. Information regarding the uses made of this yarn is not complete but census reports indicate that in 1939 about 40 percent was weaving yarns; 42 percent, machine-knitting yarns; 11 percent was used for crochet, darning, embroidery, and hand-knitting yarns; and about 7 percent for sewing thread and carpet yarns. Integrated weaving mills maintain a balance in their manufacturing operations by buying yarn needed in addition to their spinning capacity or by selling surplus yarns produced. Knitting mills can operate economically when they are too small to use all the yarn turned out by an efficient spinning mill. Consequently, many small knitters find they can buy yarn more cheaply than they can make it. In addition, some types of yarns require specialized skills (2).

A large proportion of the sales yarn is sold "in the gray," but a considerable proportion is finished before it is sold by the manufacturer. Census reports relative to the distribution of cotton manufacturers' sales in 1939 show that about 64 percent of the yarn was sold in the gray and that about 36 percent was sold as finished goods. Much of the yarn is mercerized before it is used by weavers or knitters. This work is done by "job mercerizers" for spinners or users of the yarn on commission or by mercerizers who process yarn made by mills which they control or yarn bought from independent spinners. Mercerizers also dye and bleach yarns and wind it onto special types of bobbins or cones or other mechanical devices to fit the needs of particular customers (2).

Reports indicate that the larger part of sales yarn comes from relatively small specialized spinners who are heavily concentrated in the cotton-growing States. Census data on production of sales yarn by States, although incomplete in many respects, indicate that in 1939 more

than 90 percent of this yarn was produced in the South. Most of the remainder apparently was produced in New England, although other States are listed as producers of sales yarn. The consumers are widely scattered and, although much is used by weavers and knitters in the Southern States and in New England, the best outlets apparently are to weavers and knitters in the Middle Atlantic States. Users of this yarn commonly buy it at their own plants or offices which means that the marketing is decentralized to a considerable extent. The most important centers through which it is marketed include New York, Philadelphia, Boston, Chicago, Gastonia, and Charlotte (2 and 13).

Sales yarns usually are produced in larger quantities of uniform quality than required by individual customers. A basic problem of marketing is to break up these large lots into the smaller lots needed by customers and distribute to users small quantities of the types and grades needed. To distribute it economically, substantial stocks of yarn, made up of a great many different types and grades, are brought together under the control of one marketing agency. This arrangement tends to reduce the trouble and costs to the consumer by enabling him to obtain his requirements from one or a few sellers. It is also beneficial to the seller in that it may reduce the costs of selling by enabling one seller to handle yarns of many spinners.

Procedures and agencies involved in distributing sales yarn include:

(1) Direct sales by spinners to those who use it through their own sales staffs and offices with or without the services of brokers.

(2) The yarn may be sold to merchants or dealers who in turn resell to consumers. Such sales are most commonly made by spinners who are not strong financially or who have only small quantities of yarn to sell.

(3) Sales by spinners exclusively through agents who maintain offices and sales staffs in the marketing centers.

(4) Yarn may be distributed through a combination of sales through agents with direct sales to users.

Producers of sales yarn usually do not limit themselves to any one basis of operation, but they make use of different agencies and procedures in dealing with the different purchasers (2).

Information assembled by the Harvard Bureau of Business Research, relative to methods of sale used by yarn mills classified by number of spindles in place, shows that in 1930 about one-third of the mills had less than 10,000 spindles (table 1). The proportions ranged from about 27 percent for mills which used the combined method of direct sales and sales through agents to 37 percent for those that sold through agents

Table 1.- Number of cotton-yarn mills in the South and in New England, by method of sale employed and by number of spindles in place, United States, 1930

Spindles in place	Method of sale employed			
	All	Direct sales 1/	Selling agent	Direct and selling agent
Number	Number	Number	Number	Number
All	238	93	83	62
Under 10,000	80	32	31	17
10,000 to 19,999	84	28	28	28
20,000 to 29,999	24	10	8	6
30,000 to 39,999	19	9	5	5
40,000 to 49,999	7	4	2	1
50,000 to 69,999	7	3	3	1
70,000 to 99,999	13	5	5	3
100,000 and over	4	2	1	1
	Proportion of mills			
	Percent	Percent	Percent	Percent
All	100.0	100.0	100.0	100.0
Under 10,000	33.6	34.4	37.4	27.4
10,000 to 19,999	33.5	30.1	33.8	45.2
20,000 to 29,999	10.1	10.8	9.6	9.7
30,000 to 39,999	8.0	9.7	6.0	8.1
40,000 to 49,999	2.9	4.3	2.4	1.6
50,000 to 69,999	2.9	3.2	3.6	1.6
70,000 to 99,999	5.5	5.4	6.0	4.8
100,000 and over	1.7	2.1	1.2	1.6

1/ The "direct sales" classification includes mills which operate their own sales organization.

Abstracted from or based on Merchandising of Cotton Textiles - Methods and Organization, by Melvin T. Copeland and Edmund P. Learned. Harvard University, Bureau of Business Research. 92 pp. illus. (1933).

only. About 69 percent of the mills had 20,000 or fewer spindles in place and the proportions ranged from 64 percent for mills that sold direct through their own sales organization to almost 73 percent for those using the combined method of direct sales and sales through agents. The available information is not adequate for indicating what changes have been made in more recent years, but general reports indicate that since the beginning of World War II a considerable number of spinning mills have been integrated with weaving and knitting mills.

Information relative to the channels of distribution for cotton sales yarn is not complete. But census reports regarding the distribution of yarn manufacturers' sales show that in 1939 about 60 percent of the yarn was sold to industrial users, 19 percent to converters, 14 percent to wholesalers and jobbers, 2 percent to exporters, 1 percent to retailers and consumers at retail, and 4 percent through the spinners' sales offices (table 2). About four-fifths of these manufacturers confined their sales to a single outlet and the other one-fifth sold through two or more outlets. The proportion sold to industrial users was greater for finished than for unfinished yarns and the proportion sold to converters was greater for unfinished than for finished yarns. Total volume of sales per establishment averaged greatest for sales through the manufacturers' sales offices and least to retailers and wholesalers.

Census data relating to sales negotiated through agents, brokers, and commission houses indicate that three-fourths of the total volume of sales was made directly or through the spinners' sales offices and less than one-fourth was made through these intermediaries. About 26 percent of the yarn manufacturers sold some or all, and 16 percent sold all, their products through agents, brokers, and commission houses (16). Data assembled by the Harvard Bureau of Business Research relating to 238 yarn mills in the South and in New England show that, in 1930, about three-fifths of them sold some or all their products through selling agents and that more than one-third sold all their products through these agents (1).

Wholesalers' purchases in 1939 accounted for about 14 percent of the cotton yarn sold by yarn spinners. This yarn was resold in turn by wholesalers, mainly to industrial users, but some was sold to other wholesalers, retailers, and others. Census reports on cash-credit analysis of sales by wholesalers in 1939 indicate that for service and limited-function wholesalers about two-thirds of the yarn was sold on credit for more than 30 days, 28 percent on credit for 11 to 30 days, and very small proportions on shorter-time credit or for cash. For cotton yarns sold through the manufacturers' sales branches, about one eighth was sold on credit for more than 30 days, 78 percent was sold on credit for 11 to 30 days, and about 10 percent on credit for 10 days or less (18).

Thread.- Cotton thread represents a relatively small proportion of the products of cotton manufactures. Census reports indicate that cotton thread produced by cotton manufacturers in the United States in 1939 was valued at about one-fourth of the value of the yarn produced for sale and at less than 6 percent of the value of cotton woven goods produced.

Table 2 .- Distribution of cotton-yarn manufacturers' sales, by classes of customers, United States, 1939

Customer	Total	Gray goods	Finished goods
	1,000 dollars	1,000 dollars	1,000 dollars
Total distributed sales	159,553	102,716	56,837
Industrial users 1/	95,930	2/54,907	41,023
Converters	30,234	30,234	3/
Wholesalers and jobbers	22,761	13,065	3/9,696
Spinners' sales offices	6,171	1,878	4,293
Exporters 4/	2,987	1,981	1,006
Retailers (including chains)	1,470	651	819
	Proportion of total distributed sales		
	Percent	Percent	Percent
Total distributed sales	100.0	100.0	100.0
Industrial users 1/	60.1	2/53.5	72.2
Converters	18.9	29.4	3/
Wholesalers and jobbers	14.3	12.7	3/17.1
Spinners' sales offices	3.9	1.8	7.6
Exporters 4/	1.9	2.0	1.7
Retailers (including chains)	.9	.6	1.4

1/ Also includes commercial, professional, and institutional users (manufacturers, railroads, utilities, governmental bodies, hotels, contractors, etc.).
2/ Sales to consumers at retail combined with sales to industrial, etc., users to avoid disclosure.
3/ Sales to converters combined with sales to wholesalers and jobbers to avoid disclosure.
4/ Includes sales to export intermediaries and export direct to buyers in other countries.

Abstracted from Bureau of the Census, Distribution of Manufacturers' Sales: 1939.

Thread, produced by twisting several strands of yarns together, usually is bleached, dyed, and finished before it is sold by mills. Studies of the Federal Trade Commission, as reported by the National Bureau of Economic Research, indicate that three large firms account for about 85 or 90 percent of the total investment in the thread industry and about the same proportion of net sales (13). This concentration was accounted for mainly by the success of these firms in producing superior qualities of thread and selling it under trade-mark. Thread for home use is put up on spools ready for sale to ultimate consumers. Thread for the industrial market is put up on cones and sold on a poundage basis. Census reports on the distribution of manufacturers' sales show that in 1939 sales valued at 35 percent of the total went to industrial users, 27 percent to retailers, 23 percent was distributed to or through manufacturer-owned and operated outlets, and about 15 percent was sold to wholesalers and jobbers. Less than 2 percent of these sales was made through agents, brokers, and commission houses (16).

Most of the thread manufacturers distribute their products through two or more of these outlets. Census reports indicate that in 1939 about 74 percent of the establishments distributed their products through two or more outlets and 26 percent of them confined their sales to only one outlet. The average annual volume of sales per establishment that was distributed to retailers and through manufacturer-owned and operated outlets was much greater than that distributed through any other agency. In 1939 the volume per establishment averaged $1,279,000 for sales to retailers including chains, $1,054,000 for products distributed through manufacturer-owned and operated outlets, $394,000 for sales to industrial users, $387,000 for sales to wholesalers and jobbers, and $29,000 for sales to other agencies.

Cloth.- Fabrics as they come from the looms include gray goods made from uncolored yarns and colored goods made from colored yarns. In 1939, according to census reports, colored-yarn cotton goods accounted for about 10 percent by weight and gray goods 90 percent of the cotton goods over 12 inches wide produced by manufacturers. Colored yarn goods usually are washed and calendered or put through other related finishing operations by the manufacturer before they are ready for delivery to customers. Gray goods, on the other hand, may be sold as such or they may be finished or fabricated by the cotton manufacturer before they are offered for sale.

The extent of integration in cotton-manufacturing establishments is indicated by census reports showing that in 1939 about 56 percent of manufacturers' sales of woven goods was accounted for by gray goods, 32 percent by finished fabrics, and 12 percent by fabricated products. About 92 percent of the narrow fabrics was sold in the finished form. Vertical integration in the manufacture and distribution of cotton textiles apparently has been extended considerably since the beginning of World War II (9). Fabricated products made and sold by mills

include nightwear and other finished apparel as well as household supplies such as sheets, bedspreads and blankets, towels, bath mats and wash rags, rugs, table cloths, and napkins. Finished fabrics sold by cotton manufacturers include goods made from colored yarn, low-style goods sold to wholesalers and retailers, and piece goods intended for household consumption.

Manufacturer outlets for woven cotton fabrics are largely accounted for by sales to industrial users, converters, and wholesalers and jobbers but considerable proportions, particularly of fabricated products and finished goods, are sold to retailers including chains and through manufacturer-owned and operated outlets. Census reports on the distribution of cotton manufacturers' sales show that in 1939 sales valued at about 28 percent of the total for gray, finished, and fabricated products combined were made to industrial users, 28 percent to converters, 24 percent to wholesalers and jobbers, 10 percent to retailers including chains, 9 percent through manufacturer-owned and operated outlets, and 1 percent to other agencies (table 3). About 59 percent of the establishments distributed their products through only one of these outlets and 41 percent of them distributed their products through two or more of them.

The average annual volume of sales per establishment that was distributed through manufacturer-owned and operated outlets was much greater than that distributed through any other agency. In 1939 the volume per establishment averaged $1,426,000 for products distributed through manufacturer-owned and operated outlets compared with averages of $925,000 for sales to converters, $613,000 for sales to industrial users, $487,000 for sales to wholesalers and jobbers, and $461,000 for sales to retailers including chains (16).

Manufacturers' sales of woven cotton cloth are made directly by the sales staff of the manufacturer, or through agents, brokers, and commission merchants, or through a combination of both means. Census reports indicate that in 1939 about 44 percent of the manufacturers of woven cotton goods sold through agents, brokers, and commission merchants and about 26 percent of them sold exclusively through these intermediaries. The value of the product sold through these intermediaries totaled about 43 percent of total manufacturers' sales (16).

Information relative to method of sales employed by Southern and New England cloth mills, classified by number of spindles in place, assembled by the Harvard Bureau of Business Research, shows that in 1930 about 24 percent of the mills made their sales direct, 71 percent through selling agents, and 5 percent direct and through selling agents (table 4). The proportion that sold direct increased from less than 20 percent for mills with fewer than 30,000 spindles in place to more than 50 percent for mills with 100,000 or more spindles in place. The proportion of the mills that sold through agents decreased from more than three-fourths for those with fewer than 30,000 spindles in place to less than 50 percent for those with 100,000 or more spindles in place. The proportion of the mills that used both methods varied irregularly with the number of spindles in place. Similar data for more recent years are not available.

Table 3.- Distribution of cotton cloth manufacturers' sales, by classes of customers, and by kinds of products, United States, 1939

Customer outlets	Total	Gray goods	Finished goods	Fabricated products
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Total sales	807,060	448,921	263,277	94,862
Industrial users 1/	224,500	112,126	107,879	4,495
Converters	222,857	205,535	17,322	---
Wholesalers and jobbers	194,398	94,095	75,657	24,646
Manufacturers' sales offices	74,163	23,028	20,061	31,074
Retailers 2/	79,810	8,312	37,426	34,072
Other 3/	11,332	5,825	4,932	575
	Proportion of total sales			
	Percent	Percent	Percent	Percent
Total sales	100.0	100.0	100.0	100.0
Industrial users 1/	27.8	25.0	41.0	4.7
Converters	27.6	45.8	6.6	---
Wholesalers and jobbers	24.1	21.0	28.7	26.0
Manufacturers' sales offices	9.2	5.1	7.6	32.8
Retailers 2/	9.9	1.8	14.2	35.9
Other 3/	1.4	1.3	1.9	.6

1/ Also includes commercial, professional, and institutional users (manufacturers, railroads, utilities, governmental bodies, hotels, contractors, etc.)
2/ Including chains.
3/ Includes sales to export intermediaries, export direct to buyers in other countries, and consumers at retail.

Abstracted from Distribution of Manufacturers' Sales: 1939, Census of Business, Vol. V.

Table 4.- Number of cotton-cloth mills in the South and in New England, by method of sale employed and by number of spindles in place, United States, 1930

Spindles in place	Method of sale employed: All	Direct sales 1/	Selling agent	Direct and selling agent
	Number	Number	Number	Number
All	332	80	235	17
Under 10,000	40	7	32	1
10,000 to 19,999	74	8	61	5
20,000 to 29,999	46	9	35	2
30,000 to 39,999	25	5	16	4
40,000 to 49,999	25	5	19	1
50,000 to 69,999	36	8	27	1
70,000 to 99,999	36	12	22	2
100,000 to 149,999	30	16	13	1
150,000 and over	20	10	10	0
	Proportion of mills			
	Percent	Percent	Percent	Percent
All	100.0	24.1	70.8	5.1
Under 10,000	100.0	17.5	80.0	2.5
10,000 to 19,999	100.0	10.8	82.4	6.8
20,000 to 29,999	100.0	19.6	76.1	4.3
30,000 to 39,999	100.0	20.0	64.0	16.0
40,000 to 49,999	100.0	20.0	76.0	4.0
50,000 to 69,999	100.0	22.2	75.0	2.8
70,000 to 99,999	100.0	33.3	61.1	5.6
100,000 to 149,999	100.0	53.4	43.3	3.3
150,000 and over	100.0	50.0	50.0	.0

1/ The "direct sales" classification includes mills which operate their own sales organization.

Abstracted from or based on Merchandising of Cotton Textiles - Methods and Organization, by Melvin T. Copeland and Edmund P. Learned. Harvard University, Bureau of Business Research. 92 pp. illus. (1933).

The distribution of manufacturers' sales of woven cotton fabrics varies with the kind of product. In 1939 about 36 percent of the fabricated products was sold to retailers, 33 percent was distributed through manufacturer-owned and operated outlets, 26 percent was sold to wholesalers and jobbers, and 5 percent to other agencies. During the same year, 41 percent of the finished goods was sold to industrial users (including manufacturers of apparel and household goods), 29 percent to wholesalers and jobbers, 14 percent to retailers, and 16 percent to all other agencies. Similar data for gray goods show that 46 percent was sold to converters, 25 percent to industrial users, 21 percent to wholesalers and jobbers, and 8 percent was distributed through other outlets (16).

Knitted cloth accounted for about 9 percent of total sales by knit-goods manufacturers in 1939, according to census reports. About 71 percent of this cloth was sold to industrial users, 16 percent to wholesalers and jobbers, 8 percent to retailers, and 5 percent through other outlets. Gray-goods markets for knit goods are relatively unimportant as most of the knit goods are finished by the mills before they are sold. Piece dyeing was developed for full-fashioned hosiery as early as 1918, but a gray-goods market for these products was not developed until the early 1930's. In recent years, considerable proportions of the full-fashioned hosiery have been finished by mills other than those that did the knitting, but only a small part of the finishing is done through converters. Most of the unfinished hosiery is sold to or knit on commission for other mills who usually finish it in their own plants. Some hosiery is sold unfinished to converters and others who have it finished on commission. Gray-goods markets for seamless hosiery are limited mainly to relatively small quantities knit on commission for hosiery mills. Some knit underwear fabrics are sold in the gray, but the volume is relatively small (2).

The marketing of gray cloth to converters is mostly concentrated in the hands of relatively few selling agents and brokers whose main offices are in New York City. Sales to converters usually are made by selling agents or mill-selling offices through cloth brokers. The function of these brokers is to bring the converters and mill-selling representatives together. Mill sales of gray goods to industrial users usually are made directly by mills or through agents on the basis of specifications.

Large proportions of cotton gray goods are bleached, mercerized, dyed, printed, or finished in other ways before they are used by cutters and others. In 1939, according to census reports, 480 establishments were primarily engaged in dyeing and finishing textiles (except woolen and worsted). Some of these finishing establishments are owned by or affiliated with spinners, knitters, weavers, or converters, but the great majority of them were independent enterprises which specialize in finishing (2). Some finishers buy gray goods, finish them, and resell them. But most of them do finishing on commission for converters, weavers, cutters, or wholesalers. Some establishments combine the two

methods by buying some goods and finishing them and finishing other goods on commission. High-style goods which require considerable care in the selection of appropriate patterns, colors, and finishes usually are styled and finished by or under the direction of converters. Some of this styling and finishing is done by converting establishments operated as parts of vertical mill integrations but most of it is done by independent converters.

Census reports on distribution of sales outlets for establishments primarily engaged in dyeing and finishing textiles (except woolen and worsted) show that in 1939 about 48 percent of the products was sold to industrial users (including apparel and household goods manufacturers), 28 percent to wholesalers and jobbers, 16 percent through the establishments' own sales offices, and small proportions to converters, exporters, and retailers (table 5). About three-fourths of the establishments sold exclusively through one outlet and one-fourth sold through two or more outlets. About 19 percent of these establishments sold through agents, brokers, and commission merchants, and 11 percent of them sold exclusively through these agencies. The value of the sales through these agencies totaled about 24 percent of total distributed sales.

A substantial part of the cotton cloth is handled by wholesalers. Census reports show that in 1939 about 24 percent of cotton manufacturers' sales, 16 percent of sales of cloth by knit goods manufacturers, and 28 percent of the sales of establishments dyeing and finishing textiles (except woolen and worsted) were made to wholesalers and jobbers. Census reports on distribution of sales of cotton piece goods in 1939 by classes of customers show that for service and limited-function wholesalers about 43 percent of their sales was to industrial users, 32 percent to retailers, 14 percent to other wholesalers, and 11 percent to export intermediaries and to buyers in foreign countries. For manufacturers' sales branches, about 69 percent of the sales was to wholesalers, 29 percent to industrial users, 6 percent to export intermediaries, and small proportions to retailers and others. About 60 percent of the sales of manufacturers' sales offices was to industrial users, 25 percent to wholesalers, 10 percent to retailers, and small proportions to others. Similar reports on outlets for cloth handled by agents and brokers show that 52 percent was sold to wholesalers, 36 percent to industrial users, 11 percent to retailers, and small proportions to others (18).

Some wholesalers sold cotton piece goods through agents, brokers, and commission merchants, but the proportions of the total number making use of these agencies and of the total volume of sales handled through them were relatively small. Census reports show that in 1939 about 12 percent of the service and limited-function wholesalers who handle cotton piece goods sold through agents, brokers, and commission merchants. Sales through these agencies averaged about 34 percent of total sales by establishments reporting sales by these means but they amounted to only about 8 percent of total sales by all service and limited-function wholesalers. The average annual volume of sales of cotton piece goods by wholesalers who reported sales through agents, brokers, and commission merchants was about 89 percent greater than for other wholesalers (18).

Table 5.- Sales distributed by classes of customers for establishments dyeing and finishing textiles (except woolen and worsted, United States, 1939

Customer outlets	All	Gray goods	Finished goods 1/
	1,000 dollars	1,000 dollars	1,000 dollars
Total sales	86,598	13,799	72,799
Establishments own sales offices	14,046	---	14,046
Wholesalers and jobbers	24,336	1,135	2/23,201
Converters for resale	3,921	3,921	2/
Exporters 3/	2,034	572	1,462
Retailers (including chains)	1,071	---	1,071
Industrial users 4/	41,190	8,171	33,019
	Proportion of total sales		
	Percent	Percent	Percent
Total sales	100.0	100.0	100.0
Establishments own sales offices	16.2	---	19.3
Wholesalers and jobbers	28.1	8.2	2/31.9
Converters for resale	4.5	28.4	2/
Exporters 3/	2.4	4.2	2.0
Retailers (including chains)	1.2	---	1.5
Industrial users 4/	47.6	59.2	45.3

1/ Fabricated products combined with finished goods to avoid disclosure.
2/ Sales to converters combined with sales to wholesalers and jobbers to avoid disclosure.
3/ Includes sales to export intermediaries and exports direct to buyers in other countries.
4/ Also includes commercial, professional, and industrial users.

Abstracted from Distribution of Manufacturers' Sales, 1939, Bureau of the Census, United States Department of Commerce, 16th Census of the United States, 1940.

Cash-credit analysis of the sales of cotton piece goods by wholesalers show that in 1939 most of them were made on credit for more than 30 days. For service and limited-function wholesalers about 82 percent of the sales were made on credit for more than 30 days, 11 percent on credit for 11 to 30 days, 6 percent for 10 days or less, and a very small proportion was made on a cash basis. Manufacturers' sales branches made about 73 percent of their sales of cotton piece goods on credit for more than 30 days, 16 percent for 11 to 30 days, 11 percent for 10 days or less, and a very small proportion for spot cash (18).

Charges or Costs Involved

Yarn.- The charges or costs involved in distributing cotton yarn usually cover the selling expenses of yarn manufacturers, including commissions for selling agents, brokers, and commission merchants, as well as margins for wholesalers, including manufacturers' sales branches or offices, and other intermediaries. According to census reports, in 1939 more than four-fifths of the cotton yarn was distributed by manufacturers to industrial users, converters, exporters, and retailers. Data for 113 spinning companies show that selling expenses of manufacturers, including bad debts and commissions to agents, brokers, and commission merchants, averaged about 4.7 percent of net sales in 1936. 2/

These expenses ranged from 4.3 percent of the selling price for spinning mills that produced carded cotton yarns 40's or coarser to 6.9 percent for mills spinning combed yarns finer than 40's. Data on selling prices, costs, and margins for 12 combed cotton-yarn mills show that, in April and July 1941, commissions and discounts averaged about 5 percent of the selling price of the yarn (6). The commissions that were paid to agents vary with the number and kinds of services performed but the most common commission paid for a combination of selling and financial services is said to be about 5 percent of the selling price of the yarn (2). Brokers' commissions ordinarily amount to about 2 percent of the selling price.

Information relative to variations in selling expenses on the basis of the volume of business of the yarn manufacturer is not complete. Data assembled by the Federal Trade Commission on expenses of cotton-yarn manufacturers by size of textile investment show selling expenses combined with administrative and general expenses. For the 113 companies combined, selling expenses accounted for about two-thirds of the total for selling, administrative, and general expenses. These combined expenses accounted for considerably larger proportions of total sales for the smaller than for the larger companies. 3/ For all classes of yarns combined, the proportion of total sales accounted for by these combined

2/ United States Federal Trade Commission. Textile Industries in the First Half of 1936. Part I, The Cotton Textile Industry, Including Thread, Cordage, and Twine. 1937 (Processed.)
3/ United States Federal Trade Commission. (See footnote 2, p. 15.)

expenses averaged 8.7 percent for companies with textile investments of less that $100,000 compared with 6.1 percent for companies with textile investments of $800,000 to $1,599,999. It is not known to what extent differences in kinds and amounts of services rendered also varied with the size of investment.

Ascertaining the charges for or costs of selling cotton yarn through wholesalers is hindered by the fact that in census reports the data on operating expenses of wholesaling cotton yarn are combined with similar data for rayon, silk, woolen, and worsted yarns. In 1939, according to census reports, operating expenses of wholesaling these yarns averaged 4.1 percent of net sales for manufacturers' sales offices, 7.1 percent for manufacturers' sales branches, and 8.9 percent for service and limited-function wholesalers. These expenses include pay rolls but do not include any payments to active proprietors of unincorporated businesses, but the ratio of the number of these active proprietors to the number of employees was small.

The proportions of the selling price of the yarn accounted for by operating expenses of wholesalers varied considerably with the volume of sales (table 6). In 1939, according to census reports, the annual volume of sales of yarn per wholesaler ranged from less than $10,000 to more than $2,000,000. Operating expenses, including pay rolls but not including any payment to active proprietors of unincorporated businesses, ranged from 5.5 percent of net sales for wholesalers with annual volumes of sales of $2,000,000 and over to 21.2 percent for wholesalers with annual volume of sales of less than $10,000. The ratio of the number of active proprietors to the number of employees was much smaller for the larger than for the smaller wholesalers. It is not known to what extent the kinds and amounts of services rendered also varied with the volume of sales.

Table 6.- Number of establishments, volume of sales, and operating expenses for wholesalers of yarn, by size group, 1939

Business-size group	Establishments	Sales	Operating expenses - Amounts	Operating expenses - Proportion of sales
	Number	1,000 dollars	1,000 dollars	Percent
All	157	65,134	5,437	8.3
$2,000,000 and over	6	27,370	1,518	5.5
$1,000,000 - $1,999,999	7	10,329	713	6.9
$500,000 - $999,999	19	12,749	1,107	8.7
$300,000 - $499,999	16	6,470	719	11.1
$200,000 - $299,999	13	3,331	567	17.0
$100,000 - $199,999	13	1,661	228	13.7
$50,000 - $99,999	24	1,982	338	17.1
$10,000 - $49,999	43	1,138	225	19.8
Under $10,000	16	104	22	21.2

Abstracted from Wholesale Trade, Census of Business, 1939, 16th Census of the United States.

An analysis of the operating expenses of wholesale yarn merchants with annual volumes of sales of $100,000 or more shows the relative importance of the items included and how these items vary with the volume of sales (table 7). Administrative and selling expenses account for about 64 percent of the total expenses, but delivery, warehouse, occupancy, and other expenses are important items. The proportion of net sales accounted for by each item of expense, except "other," was substantially less for wholesalers with volumes of sales of $1,000,000 or more than for wholesalers with volumes of sales of less than $200,000.

Thread.- Information regarding the charges or costs involved in distributing cotton thread is confined chiefly to limited data on selling expenses and bad debts for thread-manufacturing companies. Reports of the Federal Trade Commission show that during the first half of 1936 selling expenses, including commissions and bad debts, averaged 13.3 percent of total net sales for 18 cotton-thread-manufacturing companies and 9 percent for 14 finishing and spooling companies. 4/ Information is not complete enough to indicate the services for which these charges were made and the relation of these services and charges to the size and organizational set-up of the companies. There is very little specific information regarding charges or costs of wholesaling and retailing thread.

Cloth.- To indicate the charges or costs of distributing cotton cloth involves a consideration of the marketing agencies involved, the kinds of goods distributed, and the marketing services rendered. Selling expenses of manufacturers include those for selling gray goods to converters, industrial users, wholesalers, and others; those for selling finished fabrics to industrial users, wholesalers, retailers, and others; and those for selling fabricated products to wholesalers, retailers, and others. The combined selling expenses of cotton-textile manufacturing corporations, as reported by the Federal Trade Commission, averaged 2.9 percent of total sales in 1939 and 3.4 percent in 1940. 5/ The proportion of total sales accounted for by selling expenses ranged from less than 1 percent for some corporations to more than 7 percent for others.

Data for cotton-textile manufacturing companies, assembled by the Federal Trade Commission, show that during the first half of 1936 selling expenses and bad debts averaged 6.7 percent of total sales for 67 weaving companies and 3.6 percent for 264 combined spinning and weaving companies. 6/ These proportions varied considerably with the kinds of products manufactured and sold. Selling expenses and bad debts averaged 8.1 percent of the selling price of towels and toweling sold by five weaving mills and 3.8 percent of the price of upholstery fabrics sold by three weaving mills. The proportion of the selling price of the product accounted for by selling expenses and bad debts averaged

4/ United States Federal Trade Commission. (See footnote 2, p. 15.)
5/ United States Federal Trade Commission. Industrial Corporation Reports. Cotton Textile Manufacturing Corporations. 1941 and 1942 (Processed.)
6/ United States Federal Trade Commission. (See footnote 2, p. 15.)

Table 7.- Operating expenses of wholesale yarn merchants whose sales amounted to 100,000 dollars or more, United States, 1939

Business-size group	Establishments	Volume of sales	Operating expenses including pay roll as proportion of sales 1/						Active proprietors of unincorporated businesses
			Total	Administrative	Selling	Delivery	Warehouse	Occupancy	Other	
	Number	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Number
All	45	47,952	7.8	3.2	1.8	0.7	0.3	0.8	1.0	33
$1,000,000 and over	10	33,679	6.0	2.8	1.4	.3	.1	.4	1.0	2
$500,000 - $999,999	12	8,121	9.8	3.7	2.1	1.4	.3	1.3	1.0	6
$300,000 - $499,999	7	2,807	13.5	4.1	4.0	1.1	.9	1.7	1.7	8
$200,000 - $299,999	9	2,352	16.4	5.5	3.5	1.9	1.8	2.7	1.0	7
$100,000 - $199,999	7	993	17.2	4.6	4.6	2.9	2.1	1.7	1.3	10

1/ Operating expenses include no compensation for active proprietors of unincorporated businesses.

Abstracted from Wholesale Trade, Census of Business, 1939, 16th Census of the United States.

6.3 percent for cotton duck sold by six combined spinning and weaving mills; 4.6 percent for sheeting, drills, and jeans sold by 15 mills; 2.5 percent for print cloth and yarn fabrics sold by 27 mills; 1.7 percent for fine cotton goods such as cambrics, dimities, lawns, and other fabrics usually woven from combed cotton yarns sold by 14 mills; 4 percent for coarse colored cottons such as denims, tickings, and suiting sold by 11 mills; and 4.7 percent for napped goods sold by five mills.

Selling expenses of cotton manufacturers for specialized kinds of coarse and fine goods in 1941, and for sheets, pillow cases, and bolster cases in 1942, show considerable variations (5). The proportion of the net selling price of coarse goods accounted for by selling expenses ranged from 2.6 percent for cheesecloth, print cloth, broadcloth, and jeans to 5.6 percent for Army duck. For fine goods, the proportions ranged from 2.4 percent for lawns to 3.8 percent for filling sateen. The proportion of the total costs of the finished articles accounted for by selling expenses ranged from 3 percent for type 112 sheets to 4.8 percent for type 140 sheets. Similar proportions for pillowcases ranged from 3.8 percent for type 128 to 4.4 percent for type 140, and for bolster cases they ranged from 4.1 percent for type 128 to 4.5 percent for type 140.

The kinds and amounts of marketing services rendered by cotton manufacturers and the relative importance of the items of cost included cannot be ascertained adequately from the available information. Many of these manufacturers make use of selling agents, brokers, and commission merchants. Reports indicate that agents' commissions usually vary with the services performed from 2 to 5 percent of the selling price of the goods. Brokers' commissions usually range from 0.5 to 1 percent of the sales value of the product (2).

Charges or costs involved in distributing cotton cloth include those for converters and finishers and wholesalers of piece goods as well as those for cotton manufacturers. Large proportions of woven gray goods are sold by cotton manufacturers to converters who finish them and in turn resell them to industrial users, wholesalers, and others. Selling expenses for textile dyeing and finishing (except woolen and worsted) corporations averaged 3.2 percent of total sales in 1939 and 3 percent in 1940. 7/ Data for cotton-textile dyeing and finishing companies during the first half of 1936 show that selling expenses and bad debts averaged 2.7 percent of net sales for 10 stock companies and 2.4 percent for 77 commission companies. 8/ In 1934 selling agents' commissions for finished print cloth accounted for 2.3 percent of the value for bleached cloth, 2.1 percent for dyed cloth, 1.8 percent for cloth printed with one color and 30 percent coverage, and 1.6 percent for cloth printed with four colors and 75 percent coverage (20).

7/ United States Federal Trade Commission. (See footnote 5, p. 17.)
8/ United States Federal Trade Commission. (See footnote 2, p. 15.)

Information on costs of specified kinds of cloths in regular mill finish and on costs of sanforizing, shrinking, and selling shows that in 1941 the finishers' selling costs averaged 5.8 percent of the total costs for all kinds of cloth combined. For denims, the proportions ranged from 2.9 percent for O.D. denims to 5.6 percent for white-back and hickory-stripes. The proportions for other cloths averaged 6.4 percent for covert, 10.4 percent for whipcord, and 10.9 percent for chambrays (6).

Census reports indicate that in 1939 operating expenses of wholesalers of cotton piece goods averaged 10.5 percent of total sales for service and limited-function wholesalers, 5.4 percent for manufacturers' sales branches, 4.5 percent for manufacturers' sales offices, and 2.5 percent for agents and brokers. Wholesalers handle both gray and finished cloth, most of which is obtained from cotton manufacturers and finishers but considerable proportions are obtained from other wholesalers.

Operating expenses per dollar of sale for wholesalers of cotton piece goods vary considerably with the business-size group of the wholesalers. Census reports for 1939 show that operating expenses for wholesalers of cotton piece goods ranged from 6.7 percent of total sales for wholesalers with volumes of sales of $1,000,000 and over to 15.3 percent for those with volumes of sales of $10,000 to $50,000 (table 8). These operating expenses include pay roll, but they do not include compensation for active proprietors of unincorporated businesses. The number of active proprietors averaged about 14 percent of the average number of employees and ranged from about 3 percent for wholesalers with volumes of sales of $500,000 to $1,000,000 to more than 250 percent for wholesalers with volumes of sales of $1,000 to $10,000.

Table 8.- Number of establishments, volume of sales, and operating expenses for wholesalers of cotton piece goods, by size group, 1939

Business-size group	Establishments	Sales	Operating expenses - Amounts	Operating expenses - Proportion of sales
	Number	1,000 dollars	1,000 dollars	Percent
All	282	54,752	6,329	11.6
$1,000,000 and over	7	10,638	717	6.7
$500,000 - $999,999	25	17,547	1,998	11.4
$300,000 - $499,999	25	9,161	1,178	12.9
$200,000 - $299,999	21	5,179	771	14.9
$100,000 - $199,999	44	6,176	791	12.8
$50,000 - $99,999	48	3,517	491	14.0
$10,000 - $49,999	86	2,366	361	15.3
Under $10,000	26	168	22	13.1

Abstracted from Wholesale Trade, Census of Business, 1939, 16th Census of the United States.

Information relative to the items of costs included in operating expenses of wholesalers of cotton piece goods is limited mainly to those for establishments with annual volumes of sales of $100,000 or more.

Census reports on the analysis of operating expenses of wholesale merchants show that in 1939 administrative expenses accounted for about 37 percent; selling, 26 percent; occupancy, 11 percent; delivery, 10 percent; warehousing, 7 percent; and all other, 9 percent, of total operating expenses (table 9). The proportions of total sales accounted for by administrative and occupancy expenses were substantially less for the larger than for the smaller establishments, but those for the other items of expense varied irregularly with volume of sales.

Means and Importance of Increasing Efficiency, Reducing Costs, and Expanding Outlets

Means of increasing the efficiency and of reducing the costs of distributing partially manufactured cotton products include methods of increasing general efficiency of the individual agencies and the concentration of the services in the hands of the agencies or combination of agencies that are relatively best adapted to rendering them. Methods of increasing general efficiency of individual establishments include problems of organization and operation, personnel selection and management, location of place of business and facilities used, kinds of services rendered and volume of operation, and purchase and sales policies. But the information relating to the various phases of the problems involved is so limited that the extent to which it would be feasible to increase the efficiency and reduce the margins for distributing these products by improvements in the general efficiency of individual establishments cannot be indicated very definitely.

The smaller proportion of total sales accounted for by operating expenses of the larger than of the smaller wholesalers indicates that the costs of distributing intermediate cotton products might be reduced somewhat if the volume of business for many wholesalers were increased. In 1939, for example, total operating expenses of wholesale yarn merchants decreased from an average of more than 16 percent of the selling price for concerns with annual sales of less than $300,000 to 6 percent for those with annual sales of $1,000,000 and over. Similar data for wholesalers of cotton piece goods show decreases in average operating expenses from an average of more than 13 percent of total sales for establishments with annual sales of less than $300,000 to 9.4 percent for those with annual sales of $500,000 and over. But it is not known to what extent these differences in operating expenses may be accounted for by differences in services rendered.

A comparison of the expenses of wholesaling yarn and piece goods through manufacturers' sales offices, manufacturers' sales branches, and service and limited-function wholesalers suggests that some reductions in distribution costs might be made, in some instances at least, by integration of the manufacturing and distributing functions. Operating expenses of wholesaling cotton yarn in 1939, according to census reports, averaged 4.1 percent of net sales for manufacturers' sales offices, 7.1 percent for manufacturers' sales branches, and 8.9 percent for service and limited-function wholesalers. Operating expenses of wholesaling cotton piece goods, in 1939, averaged 4.6 percent of net sales for manufacturers' sales offices, 5.4 percent for manufacturers' sales branches,

Table 9.- Operating expenses of wholesale merchants whose sales of cotton piece goods amounted to 100,000 dollars or more, United States, 1939

Business-size group	Establishments	Volume of sales	Operating expenses including pay roll as proportion of sales 1/						Active proprietors of unincorporated businesses
			Total	Administrative	Selling	Delivery	Warehouse	Occupancy	Other	
	Number	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Number
All	77	35,996	10.7	4.0	2.8	1.1	0.7	1.2	0.9	62
$500,000 and over	25	24,088	9.4	3.7	2.6	1.0	.5	.9	.7	24
$300,000 - $499,999	14	5,045	12.7	4.3	3.2	1.3	1.3	1.4	1.2	9
$200,000 - $299,999	16	3,930	13.4	5.0	3.6	1.2	.6	1.8	1.2	13
$100,000 - $199,999	22	2,933	13.6	5.2	2.8	1.3	1.0	2.4	.9	16

1/ Operating expenses include no compensation for active proprietors of unincorporated businesses.

Abstracted from Wholesale Trade, Census of Business, 1939, 16th Census of the United States.

and 10.5 percent for service and limited-function wholesalers. Information available is not adequate for determining to what extent these differences in operating expenses are accounted for by differences in kinds of products handled and in the services rendered.

The reduction of "unnecessary" services, the use of quality standards as a basis for sale on description, vertical and horizontal combinations, and other means may be used to reduce the costs of distributing partially manufactured cotton products as well as those for consumers' goods made of cotton. These means are discussed in more detail in another section of this report.

The influence of reducing costs of distributing intermediate cotton products on the retail value of the finished products is relatively small. A reduction of say 25 percent, for example, in these costs would amount on the average to less than 1 percent of the retail value of the finished products. But the importance of such reductions from the standpoint of their influence on costs to intermediate and final processors and distributors may be very much greater than these figures might imply.

Products for Ultimate Consumers

Cotton products for ultimate consumers include sewing thread and a wide variety of knitting, crocheting, and other yarns used by household consumers; gray goods and yarn-dyed goods for sale by the piece to consumers, such as print cloth, sheeting, drill, chambray, and shirting; household furnishings, such as sheets and pillow cases, bedspreads and blankets, towels and bath mats, rugs, tablecloths and napkins; and wearing apparel for men, women, and children. Most of the thread, yarns, piece goods, and household furnishings are ready for consumers when they leave cotton-manufacturing establishments. In addition, many knit goods produced in hosiery and underwear factories leave the mills as completed consumers' goods.

Men's, women's, and children's apparel are mainly the products of the cutting trade. The term "cutters" and "cutting-up trade" may be applied to all branches of the textile industry that characteristically perform "cut-and-sew" operations on purchased fabrics (13). The cutting-up trade includes several thousand manufacturers of many kinds, ranging from very large companies operating several factories, as is common in the manufacture of men's shirts or work clothing, to small "family shops," as is common in the manufacture of mattresses and some other household products. The establishments are widely scattered throughout the industrial districts of the country, although the manufacturers of particular products sometimes are closely concentrated in relatively small areas (2).

Data relative to the distribution of apparel and other fabricated products made of cotton usually are not reported separately from those made of wool, silk, and rayon. In addition, many fabricated products are made of two or more kinds of fabrics and many fabrics are made of two or more kinds of fibers. Consequently, most of the data in this part

of the report on the distribution of products for ultimate consumers are not segregated to show those made of cotton separate from those made of wool, rayon, silk, or a combination of these fibers.

Present Practices and Techniques

Textile products for ultimate consumers are distributed by manufacturers, wholesalers, and retailers.

Manufacturers.- Census data on distribution of manufacturers' sales in 1939 indicate that goods amounting to about two-thirds of the total value of all finished apparel and household products combined were sold to retailers, 14.3 percent to wholesalers and jobbers, 10 percent through outlets owned and operated by the manufacturer, 7.5 percent to industrial users, and small proportions to consumers at retail and to export (table 10). These proportions vary considerably from one product to another. The proportions sold to retailers range from less than 10 percent for embroideries and textile bags not made in textile mills to more than 90 percent for children's and infants' coats and women's and misses' blouses and waists. The proportions sold to wholesalers and jobbers range from less than 7 percent to more than 70 percent and those sold to industrial users ranged from negligible quantities for several products to more than 80 percent for others. Other details are shown in table 10.

Sales of about 78 percent of the manufacturers were confined exclusively to one outlet. The proportions ranged from less than 60 percent for men's and boys' undershirts, work shirts, canvas products, handkerchiefs, work gloves and mittens, and miscellaneous fabricated products to more than 90 percent for women's and misses' blouses and waists, women's and misses' dresses, and embroideries (16).

Some manufacturers of apparel and household goods sell their products through agents, brokers, and commission merchants (exclusive of the manufacturers' own sales force), but the proportion distributed in this way usually is small. Census reports show that in 1939 the proportions of the manufacturers' sales of apparel and other finished products made through these intermediaries averaged 3.5 percent of total sales for all products combined and ranged from less than 1 percent to more than 15 percent (16). Less than 1 percent of the establishments reported that they sold exclusively through agents, brokers, and commission merchants.

Most of the knit goods leave the manufacturers as finished consumers' goods. Census reports on the distribution of manufacturers' sales of knit goods in 1939 show that for all products combined about 42.5 percent was sold to retailers, including chains, almost 36 percent to wholesalers and jobbers, about 10 percent to industrial users, 9 percent through the manufacturers' own sales offices, and small proportions were sold to consumers at retail and to exporters (table 11). Retailers and wholesalers supplied the principal outlets for each kind of product except knitted cloth. About 70 percent of this cloth was sold to industrial users. More than 11 percent of the full-fashioned

Table 10 - Distribution of manufacturers sales of apparel and other finished products made from fabrics and similar materials, by classes of customers and by industries, United States, 1939

Item	Establishments reporting	Total distribution sales	Proportion of sales distributed to -							
			Owned and operated outlets		Wholesale and jobbers	Export 1/	Retailers 2/	Industrial users 3/	Consumers at retail 4/	All
			Wholesale	Retail						
	Number	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Children's and infants' outerwear	389	86,767	4.2	-	13.6	1.9	78.7	0.7	0.7	100.0
Children's and infants' coats	105	24,439	5/	-	5/ 7.7	-	92.3	5/	-	100.0
Children's and infants' dresses	181	44,478	5.2	-	14.6	3.7	70.8	1.4	1.3	100.0
Other children's and infants' wear	103	17,870	5/	-	5/20.1	5/	79.9	5/	5/	100.0
Men's and boys' furnishings, work, and sport garments	2,099	588,357	18.7	0.4	21.0	0.5	58.1	4.6	0.7	100.0
Hat and cap materials, etc.	51	4,705	1/	-	1/ 34.2	1.6	1/	64.2	-	100.0
Men's neckwear	344	45,700	8.7	0.7	16.6	0.2	72.0	1.1	0.4	100.0
Hats and caps (except felt and straw)	259	11,896	4.5	-	37.6	1.6	50.3	5.6	0.2	100.0
Shirts, collars, and neckwear (except work)	496	175,669	36.7	0.7	11.2	0.4	46.3	1.9	0.6	100.0
Underwear	84	17,087	5/	-	5/ 30.2	5/	47.8	5/ 2.6	5/	100.0
Trousers, wash suits, etc.	252	58,958	7.1	-	25.8	-	56.1	10.2	0.8	100.0
Work shirts	74	34,269	13.0	-	10/ 38.5	10/	46.6	11/ 1.9	-	100.0
Work clothing, sports, etc.	699	177,993	9.5	0.4	22.7	0.8	60.4	5.4	0.8	100.0
Women's accessories, except millinery	1,163	260,096	10.4	1.3	12.6	1.4	70.4	3.5	0.4	100.0
Belts (apparel) 12/	251	19,112	13/	-	13/ 29.2	0.8	44.8	24.9	0.3	100.0
Corsets and allied garments	221	61,747	13.3	4.0	4.6	3.3	71.7	2.3	0.8	100.0
Women's neckwear, scarfs, etc.	232	11,977	13/	-	13/ 28.3	-	64.0	7.7	-	100.0
Underwear and nightwear of cotton, n.e.c.	196	36,946	4.2	-	14/ 18.2	14/	63.9	11.3	-	100.0
Underwear and nightwear of knitted fabrics	185	45,938	4.6	-	14/ 19.4	14/	73.5	11.6	0.1	100.0
Underwear and nightwear of silk & rayon	298	97,176	15/ 10.1	15/	10.0	0.9	77.2	13/1.4	0.4	100.0
Women's and misses' outer clothing	3,362	879,899	3.4	1.1	7.2	0.1	85.9	1.1	1.2	100.0
Coats, suits, and skirts(except fur coats)	1,095	274,448	3.5	0.4	9.7	0.4	84.3	11/ 1.0	2.7	100.0
House dresses, uniforms, and aprons	436	103,853	3.2	2.8	16/ 14.2	16/	74.5	0.7	0.6	100.0
Blouses and waists	170	34,434	4.8	-	16/ 3.9	16/	90.5	0.8	-	100.0
Dresses, except house dresses	1,388	431,288	3.0	1.4	6.2	-	88.6	0.3	0.5	100.0
Other clothing	243	34,016	15/ 7.5	15/	15.0	-	73.0	2.3	0.2	100.0
Fur coats and other fur garments, accessories, and trimmings	2,077	169,801	0.7	5.2	31.2	0.4	49.7	8.3	3.9	100.0
Millinery	989	105,831	3.0	1.2	21.1	0.6	72.5	0.1	1.0	100.0
Men's and boys' tailored clothing	1,331	317,895	2.7	16.2	7.0	-	66.0	3.4	2.7	100.0
Miscellaneous apparel and fabricated textile products	2,601	499,990	2.6	0.4	21.5	1.3	40.1	31.0	2.9	100.0
Canvas products (except bags)	335	28,345	11/	0.9	11/ 18.3	4.6	45.2	22.4	30.6	100.0
Clothing (leather and sheep-lined)	94	22,054	11/	-	11/ 38.5	2.5	54.2	0.7	0.1	100.0
Curtains, draperies, and bedspreads	362	70,956	4.3	1.0	12.8	0.6	77.2	11/ 1.9	2.2	100.0
Other housefurnishings	498	48,012	2.3	0.7	19.4	0.8	69.7	11/11.5	1.6	100.0
Dress and semi-dress and gloves & mittens	69	7,600	-	-	54.2	-	37.4	11/ 7.6	-	100.0
Work gloves and mittens	94	43,865	-	-	73.6	0.8	15.9	11/ 9.7	-	100.0
Handkerchiefs	80	28,801	9.5	-	88.1	-	2.1	1/ 0.3	1/	100.0
Robes, lounging garments, etc.	173	36,870	1.9		14.6	0.1	78.1	5.1	0.2	100.0
Oilcloth and other waterproof, etc.	68	10,357	16/	16/	16/ 83.3	0.6	9.2	5.5	0.4	100.0
Suspenders, garters, etc.	62	15,416	11/	-	11/ 48.8	1.5	46.3	11/ 2.4	11/	100.0
Embroideries - Not Schiffli-machine	54	1,995	11/	-	11/ 20.7	-	22.5	11/ 56.8	-	100.0
Embroideries - Schiffli-machine	102	6,988	1/	-	1/ 61.7	1/	5.1	11/ 33.2	-	100.0
Textile bags not made in textile mills	888	188,941	2.9	-	9.3	1.4	2.6	82.3	1.5	100.0
Trimmings, stamped art goods, etc.	251	26,184	11/	-	11/ 65.0	0.5	20.8	11/ 9.7	-	100.0
Other fabricated textile products	278	30,755	9.5	1.1	17.8	4.5	19.2	43.5	4.4	100.0
Total for all groups	13,972	3,065,516	6.3	3.7	14.3	0.5	66.0	7.5	1.7	100.0

1/ Includes export intermediaries and exports direct to buyers in other countries.
2/ Includes chains.
3/ Also includes commercial, professional, and institutional users.
4/ Includes farmers, household consumers, and employees at retail.
5/ Sales to or through own wholesale branches or offices and industrial, etc., users, combined with sales to wholesalers and jobbers to avoid disclosure.
6/ Sales to or through own wholesale branches or offices, export intermediaries, industrial, etc., users, and consumers at retail combined with sales to wholesalers and jobbers to avoid disclosure.
7/ Sales through own wholesale branches or offices and retailers combined with sales to wholesalers and jobbers to avoid disclosure.
8/ Sales to or through own wholesale branches or offices and export intermediaries combined with sales to wholesalers and jobbers to avoid disclosure.
9/ Sales to consumers at retail combined with sales to industrial, etc., users to avoid disclosure.
10/ Sales to export intermediaries combined with sales to wholesalers and jobbers to avoid disclosure.
11/ Inter-plant transfers included to avoid disclosure.
12/ Also includes men's belts.
13/ Sales to or through own wholesale branches or offices combined with sales to wholesalers and jobbers to avoid disclosure.
14/ Direct export sales combined with sales to wholesalers and jobbers to avoid disclosure.
15/ Sales to or through own retail stores combined with sales to or through own wholesale branches or offices to avoid disclosure.
16/ Sales to or through own wholesale branches or offices and own retail stores combined with sales to wholesalers and jobbers to avoid disclosure.
17/ Inter-plant transfers and sales to consumers at retail combined with sales to industrial, etc., users to avoid disclosure.

Abstracted from Distribution of Manufacturers Sales: 1939, United States Department of Commerce, Bureau of the Census, 16th Census of the United States, 1940. The cutting-up industries or needle trades reported produce clothing and other fabricated articles from purchased woven or knit fabrics. All types of textiles are utilized, as well as leather, fur, and other materials.

Table 11.- Distribution of manufacturers' sales of knit goods by kind of products and by outlets, United States, 1939

Outlets	Products					
	Hosiery		Knitted			
	Full-fashioned	Seamless	Cloth	Gloves	Outerwear	Underwear
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Total distributed sales	291,647	129,756	61,473	12,020	98,730	115,634
Establishments own sales offices 1/	34,241	9,087	3,196	2/	5,100	13,040
Wholesalers and jobbers	80,909	63,616	9,905	2/6,092	43,830	50,140
Retailers (including chains)	149,994	50,613	4,697	5,290	45,041	46,143
Exports 3/	1,917	1,144	192	72	212	2,232
Industrial users 4/	18,094	4,622	43,446	5/566	6/1,614	3,928
Consumers at retail 7/	6,492	674	37	5/	2,933	151
	Proportion of total distributed sales					
	Percent	Percent	Percent	Percent	Percent	Percent
Total distributed sales	100.0	100.0	100.0	100.0	100.0	100.0
Establishments own sales offices 1/	11.7	7.0	5.2	2/	5.2	11.3
Wholesalers and jobbers	27.8	49.0	16.1	2/50.7	44.4	43.4
Retailers (including chains)	51.4	39.0	7.6	44.0	45.6	39.9
Exports 3/	0.7	0.9	0.3	0.6	0.2	1.9
Industrial users 4/	6.2	3.6	70.7	5/4.7	6/1.6	3.4
Consumers at retail 7/	2.2	.5	.1	4/	3.0	.1
Number of establishments	420	386	196	20	472	192

1/ Includes wholesale branches or offices and retail stores.
2/ Sales to or through own wholesale branches or offices combined with sales to wholesalers and jobbers to avoid disclosure.
3/ Includes transfers included to avoid disclosure.
4/ Also includes commercial, professional, and institutional users (manufacturers, railroads, utilities, governmental bodies, hotels, contractors, etc.)
5/ Sales to consumers at retail and interplant transfers combined with sales to industrial, etc., users to avoid disclosure.
6/ Interplant transfers included to avoid disclosure.
7/ Includes farmers, household consumers, and employees at retail.

Abstracted from Distribution of Manufacturers' Sales: 1939 (16)

hosiery and of knitted underwear were distributed through the manufacturers' own sales offices. About 62 percent of the manufacturers confined their sales to only one of these outlets and the other 38 percent sold through two or more outlets (16). The proportion that sold exclusively through one outlet ranged from 30 percent for knitted gloves to 73 percent for knitted outerwear (except knitted gloves).

Most of the manufacturers of knit goods sold their products directly, not through other agencies. Census reports show that in 1939 about 28 percent of these manufacturers sold through agents, brokers, and commission merchants (excluding manufacturers' own sales force) and 15 percent sold through these intermediaries exclusively. The proportion of the total value of distributed sales made through these agencies averaged about 21 percent for all knit goods combined and ranged from about 2 percent for knitted gloves to 42 percent for seamless hosiery.

Wholesalers.- Most of the finished textile products flow from manufacturers directly, or indirectly through wholesalers, to retailers for distribution to ultimate consumers. An important channel of distribution, particularly in earlier years, was from manufacturer to wholesaler to retailer to consumer. Wholesalers to whom textile manufacturers sell goods are of several types, the most important type being represented by wholesale merchants. These merchants buy textile products outright from producers in comparatively large quantities and sell most of them to retailers in comparatively small quantities. Such wholesalers usually maintain a convenient place of business, provide facilities for the storage and handling of the goods, and in many instances they extend credit and make deliveries to customers.

Census reports show that wholesalers of dry goods in 1939 included 4,097 service and limited-function wholesalers, 213 manufacturers' sales branches, and 131 manufacturers' sales offices. Wholesalers of cotton piece goods alone included 519 service and limited-function wholesalers, 12 manufacturers' sales branches, and 234 manufacturers' sales offices. The corresponding numbers for clothing and furnishings (excluding furs, dresses, and fur coats, millinery and millinery supplies, and shoes and other footwear) were 2,736, 224, and 198, respectively. The annual volume of sales per establishment for all kinds of wholesalers combined averaged $225,000 for clothing and furnishings, $364,000 for all dry goods, and $635,000 for cotton piece goods. The range for each group was from less than $10,000 to more than $1,000,000.

The annual volumes of sales per establishment for service and limited-function wholesalers usually were substantially less than those for manufacturers' sales branches and for manufacturers' sales offices. For clothing and furnishings, for example, annual volume of sales per establishment averaged $162,000 for service and limited-function wholesalers, $729,000 for manufacturers' sales branches, and $530,000 for manufacturers' sales offices. For cotton piece goods, the corresponding averages are $458,000, $4,399,000, and $2,680,000, respectively.

INTENTIONAL SECOND EXPOSURE

Table 11.- Distribution of manufacturers' sales of knit goods by kind of products and by outlets, United States, 1939

Outlets	Products					
	Hosiery		Knitted			
	Full-fashioned	Seamless	Cloth	Gloves	Outerwear	Underwear
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Total distributed sales	291,647	129,756	61,473	12,020	98,730	115,634
Establishments own sales offices 1/	34,241	9,087	3,196	2/	5,100	13,040
Wholesalers and jobbers	80,909	63,616	9,905	2/6,092	43,830	50,140
Retailers (including chains)	149,994	50,613	4,697	5,290	45,041	46,143
Exports 3/	1,917	1,144	192	72	212	2,232
Industrial users 4/	18,094	4,622	43,446	5/566	6/1,614	3,928
Consumers at retail 7/	6,492	674	37	5/	2,933	151
	Proportion of total distributed sales					
	Percent	Percent	Percent	Percent	Percent	Percent
Total distributed sales	100.0	100.0	100.0	100.0	100.0	100.0
Establishments own sales offices 1/	11.7	7.0	5.2	2/	5.2	11.3
Wholesalers and jobbers	27.8	49.0	16.1	2/50.7	44.4	43.4
Retailers (including chains)	51.4	39.0	7.6	44.0	45.6	39.9
Exports 3/	0.7	0.9	0.3	0.6	0.2	1.9
Industrial users 4/	6.2	3.6	70.7	5/4.7	6/1.6	3.4
Consumers at retail 7/	2.2	.5	.1	4/	3.0	.1
Number of establishments	420	386	196	20	472	192

1/ Includes wholesale branches or offices and retail stores.
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3/ Includes transfers included to avoid disclosure.
4/ Also includes commercial, professional, and institutional users (manufacturers, railroads, utilities, governmental bodies, hotels, contractors, etc.)
5/ Sales to consumers at retail and interplant transfers combined with sales to industrial, etc., users to avoid disclosure.
6/ Interplant transfers included to avoid disclosure.
7/ Includes farmers, household consumers, and employees at retail.

Abstracted from Distribution of Manufacturers' Sales: 1939 (16)

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Most of the manufacturers of knit goods sold their products directly, not through other agencies. Census reports show that in 1939 about 28 percent of these manufacturers sold through agents, brokers, and commission merchants (excluding manufacturers' own sales force) and 15 percent sold through these intermediaries exclusively. The proportion of the total value of distributed sales made through these agencies averaged about 21 percent for all knit goods combined and ranged from about 2 percent for knitted gloves to 42 percent for seamless hosiery.

Wholesalers.- Most of the finished textile products flow from manufacturers directly, or indirectly through wholesalers, to retailers for distribution to ultimate consumers. An important channel of distribution, particularly in earlier years, was from manufacturer to wholesaler to retailer to consumer. Wholesalers to whom textile manufacturers sell goods are of several types, the most important type being represented by wholesale merchants. These merchants buy textile products outright from producers in comparatively large quantities and sell most of them to retailers in comparatively small quantities. Such wholesalers usually maintain a convenient place of business, provide facilities for the storage and handling of the goods, and in many instances they extend credit and make deliveries to customers.

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The annual volumes of sales per establishment for service and limited-function wholesalers usually were substantially less than those for manufacturers' sales branches and for manufacturers' sales offices. For clothing and furnishings, for example, annual volume of sales per establishment averaged $162,000 for service and limited-function wholesalers, $729,000 for manufacturers' sales branches, and $530,000 for manufacturers' sales offices. For cotton piece goods, the corresponding averages are $458,000, $4,399,000, and $2,680,000, respectively.

Some sales by wholesalers were made through agents, brokers, and commission merchants, but most of them were made without these services. Census reports show that in 1939 about 7 percent of the service and limited-function wholesalers of dry goods and clothing and furnishings sold through agents, brokers, and commission merchants (table 12). The proportions for dry goods ranged from 3.6 percent for general lines to 12.4 percent for cotton piece goods, and for clothing and furnishings they ranged from 4.5 percent for general lines to 9 percent for women's and children's. The proportions of net sales made through agents, brokers, and commission merchants averaged 4.4 percent for wholesalers of dry goods and clothing and furnishings combined, and ranged from 1 percent for general line dry goods to 8.6 percent for general-line piece goods. A somewhat larger proportion of manufacturers' sales branches used the services of agents, brokers, and commission merchants but a smaller proportion of the net sales were made through these intermediaries than for service and limited-function wholesalers (table 12).

Wholesalers sold most of the clothing and furnishings to retailers and only very small proportions to household consumers, industrial users, other wholesalers, and to exporters. Outlets for general lines of dry goods, for hosiery and lingerie, and for other dry-goods specialities were largely to retailers. But for piece goods, less than one-half of the sales of wholesalers were made to retailers. Sales of piece goods to industrial users exceeded those to retailers and considerable proportions were sold to other wholesalers. Census data on sales of cotton piece goods by service and limited-function wholesalers, for example, show that in 1939 about 32 percent went to retailers, 43 percent to industrial users, 14 percent to other wholesalers, and 11 percent to exporters (18).

Wholesalers of finished textile products make most of their sales on credit for more than 30 days and only a small proportion of the total is sold for spot cash. Census reports relating to cash-credit analysis of sales of service and limited-function wholesalers of dry goods and clothing and furnishings show that in 1939 about two-thirds of total sales were made on credit for more than 30 days (table 13). The proportions ranged from less than one-half for women's and children's clothing and furnishings to about 82 percent for cotton piece goods. The proportions sold on credit for 11 to 30 days averaged 25 percent and ranged from about 11 percent for cotton piece goods to 43 percent for women's and children's clothing and furnishings. Small proportions were sold on credit for 10 days or less and for spot cash. A somewhat smaller proportion of the sales by manufacturers' sales branches was made on credit for more than 30 days and a somewhat larger proportion was made on credit for 11 to 30 days than the proportions shown for service and limited-function wholesalers (table 13).

Wholesalers supply a ready market outlet to manufacturers for products in rather large volume and relieve the manufacturer of making the many contacts necessary to sell directly to retailers. The large-lot purchases and the assembly services rendered by wholesalers make possible a reduction in transportation costs by permitting large-lot shipments over long distances. Wholesalers reduce the storage costs and the

credit risks of manufacturers by advance buying, particularly for goods of seasonal demand. Occasionally, the wholesalers may help finance producers by advancing funds. They also relieve them of some financial risks which arise in dealing with retailers, whose rate of failure is relatively high.

On the other hand, the wholesaler performs important services for the retailer. The assembly services rendered by wholesalers enables the retailers to obtain their supplies from relatively few sources. The readily available supplies made available by wholesalers to retailers enables them to reduce their overhead costs by the use of small stocks and more rapid turn-over. Total storage costs are reduced because large-scale storage in a wholesaler's warehouse is cheaper than storage on the relatively high-rent shelves of retailers. In addition, wholesalers provide credit and other services to retailers.

Retailers.- In turn retailers perform the process of assembly primarily for the benefit of consumers. They bring together, at places convenient for consumers, varied stocks of goods which will satisfy the needs and tastes of the community. On the other hand, they collect and pass back to wholesalers and manufacturers information on the demands of consumers for use as a guide to further production. Retailers do some of the storing, take some risks involved in buying and selling goods, and grant credit to customers who cannot afford to pay cash for the goods they buy. In addition, retailers may render delivery and other services to consumers.

Census reports show that in 1939 the number of retailers included in the general merchandise and in the apparel groups totaled 157,226 and that the value of the sales totaled $8,924,000,000 (table 14). The volume of sales per establishment averaged about $57,000 and ranged from less than $10,000 to more than $1,000,000. Less than 1 percent of the establishments had an annual volume of sales of more than $1,000,000 but about 38 percent of total sales was accounted for by these establishments. About 42 percent of the establishments had annual sales of less than $10,000 each and only about 3 percent of total sales was accounted for by them. About 18 percent of the number of establishments and 36 percent of the total volume of sales for retailers included in the general merchandise and apparel groups were accounted for by chain stores. The proportion of total sales accounted for by chain stores in 1939 averaged 30 percent for department stores, 19 percent for dry goods and general merchandise stores, 22 percent for men's and boys' clothing stores, 18 percent for family-clothing stores, and 28 percent for women's ready-to-wear stores (17).

Information on the legal form of organizational set-up for general merchandise and apparel retail stores shows that in 1939 about 63 percent of the total number were individual proprietors, 24 percent corporations, and 13 percent were partnerships, cooperative associations, and other forms of organization. Of the total volume of sales for these stores, about 30 percent was accounted for by those independently-owned and operated, 58 percent by those operated as corporations, and 12 percent by those operated as other forms of organization. These proportions varied

Table 12.- Sales through agents, brokers, and commission merchants by wholesalers of finished textile products, by kind of business and by type of wholesaler, United States, 1939

Service and limited-function wholesalers

Kind of business	All establishments		Sales through agents, brokers, and commission merchants			
			Establishments		Sales	
	Reported	Net sales	Reported	Proportion of total	Amount	Proportion of total
	Number	1,000 dollars	Number	Percent	Dollars	Percent
Dry goods	4,097	1,188,451	288	7.0	50,016	4.2
General line	222	206,983	8	3.6	2,018	1.0
Hosiery and lingerie	422	86,204	27	6.4	6,625	7.7
Notions	973	113,874	42	4.3	2,742	2.4
Piece goods:						
General line	54	18,493	4	7.4	1,582	8.6
Cotton	519	237,647	64	12.3	19,188	8.1
Silk, linen, rayon, and velvet	801	301,044	76	9.5	10,126	3.4
Woolen and worsted	366	97,261	25	6.8	2,464	2.5
Other	407	89,398	33	8.1	4,311	4.8
Other dry goods	333	37,547	9	2.7	960	2.6
Clothing and furnishings	2,736	442,117	181	6.6	21,671	4.9
General line	446	64,127	20	4.5	1,348	2.1
Men's and boys'	1,180	152,944	61	5.2	4,934	3.2
Women's and children's	1,110	225,046	100	9.0	15,389	6.8
Dry goods and clothing and furnishings	6,833	1,630,568	469	6.9	71,687	4.4

Continued -

Table 12.- Sales through agents, brokers, and commission merchants by wholesalers of finished textile products, by kind of business and by type of wholesaler, United States, 1939 - Continued

Manufacturers' sales branches

Kind of business	All establishments		Sales through agents, brokers, and commission merchants			
			Establishments		Sales	
	Reported	Net sales	Reported	Proportion of total	Amount	Proportion of total
	Number	1,000 dollars	Number	Percent	Dollars	Percent
Dry goods (specialty lines)	213	210,082	35	16.4	11,688	5.6
Hosiery and lingerie	33	28,895	3	9.1	145	.5
Notions	87	36,997	13	14.9	994	2.7
Piece goods:						
Cotton	12	52,780	2	16.7	3,570	6.8
Silk, linen, rayon, and velvet	44	57,883	10	22.7	1,446	2.5
Woolen and worsted	11	15,978	4	36.4	4,514	28.3
Other	7	4,052	1	14.3	8	.2
Other dry goods specialties	19	13,497	2	10.5	1,011	7.5
Clothing and furnishings	224	163,359	15	6.7	2,553	1.6
Men's and boys'	130	124,214	11	8.5	2,231	1.8
Women's and children's	94	39,145	4	4.3	322	.8
Dry goods and clothing and furnishings	437	373,441	50	11.4	14,241	3.8

Abstracted from Census of Business: 1939, Wholesale Trade. Vol. II.

Table 13.- Cash-credit basis of sales for wholesalers of finished textile products, by kind of business and by type of wholesaler, United States, 1939

Service and limited-function wholesalers

Kind of business	Total sales analyzed		Term of sale			
			Spot cash	Credit for -		
				10 days or less	11 to 30 days	more than 30 days
	1,000 dollars	Percent	Percent	Percent	Percent	Percent
Dry goods	1,156,011	100.0	2.9	4.2	22.0	70.9
General line	202,498	100.0	5.1	4.4	14.4	76.1
Hosiery and lingerie	81,678	100.0	6.8	4.5	31.4	57.3
Notions	108,541	100.0	5.0	3.9	41.6	49.5
Piece goods:						
General line	18,011	100.0	5.5	4.9	26.0	63.6
Cotton	231,572	100.0	.8	6.1	11.4	81.7
Silk, linen, rayon, and velvet	295,805	100.0	.6	2.0	24.4	73.0
Woolen and worsted	96,457	100.0	3.4	4.0	14.9	77.7
Other	87,459	100.0	2.7	5.8	27.1	64.4
Other dry goods	33,990	100.0	5.8	4.5	38.6	51.1
Clothing and furnishings	414,108	100.0	5.8	4.3	33.4	56.5
General line	52,054	100.0	14.1	3.7	18.5	63.7
Men's and boys'	145,145	100.0	7.4	3.4	23.7	65.5
Women's and children's	216,909	100.0	2.8	5.1	43.4	48.7
Dry goods and clothing and furnishings	1,570,119	100.0	3.7	4.2	25.0	67.1
Grand total	1,933,459	100.0	3.0	4.1	28.0	64.9

Continued -

Table 13.- Cash-credit basis of sales for wholesalers of finished textile products, by kind of business and by type of wholesaler, United States, 1939 - Continued

Manufacturers' sales branches

Kind of business	Total sales analyzed		Term of sale			
			Spot cash	Credit for -		
				10 days or less	11 to 30 days	more than 30 days
	1,000 dollars	Percent	Percent	Percent	Percent	Percent
Dry goods (specialty lines)	201,964	100.0	0.3	5.3	36.1	58.3
Hosiery and lingerie	28,895	100.0	.4	3.1	44.6	51.9
Notions	36,825	100.0	.4	1.2	74.2	24.2
Piece goods:						
Cotton	48,591	100.0	.1	11.2	15.8	72.9
Silk, linen, rayon, and velvet	54,126	100.0	.3	2.5	29.8	67.4
Woolen and worsted	15,978	100.0	.7	6.8	13.6	78.9
Other	4,052	100.0	.9	14.5	10.3	74.3
Other dry goods specialties	13,497	100.0	.1	6.2	46.3	47.4
Clothing and furnishings	161,376	100.0	.4	1.5	46.7	51.4
Men's and boys'	122,601	100.0	.5	1.5	47.8	50.2
Women's and children's	38,775	100.0	.2	1.6	43.0	55.2
Dry goods and clothing and furnishings	363,340	100.0	.4	3.6	40.8	55.2

Abstracted from Census of Business: 1939, Wholesale Trade. Vol. II.

Table 14.- Number of retail stores, total sales reported by kind of store, kind of business, and annual volume of sales, United States, 1939

Kind of business and annual volume of sales	All stores			Independent stores			Chain-stores		
	Stores reported	Total sales reported		Stores reported	Total sales reported		Stores reported	Total sales reported	
	Number	1,000 dollars	Percent	Number	1,000 dollars	Percent	Number	1,000 dollars	Percent
General merchandise group:	50,267	5,665,007	100.0	38,991	3,487,799	100.0	11,276	2,177,208	100.0
$1,000,000 and over	653	2,995,430	52.9						
500,000 to 999,999	774	522,194	9.2	965	2,748,838	78.8	1,715	1,252,096	57.5
300,000 to 499,999	1,253	483,310	8.5						
100,000 to 299,999	4,979	837,417	14.8	1,232	201,426	5.8	3,747	635,991	29.2
50,000 to 99,999	4,731	338,046	6.0	1,942	132,795	3.8	2,789	205,251	9.4
30,000 to 49,999	4,365	168,189	3.0	3,016	114,441	3.3	1,349	53,748	2.5
20,000 to 29,999	4,191	102,621	1.8	3,459	84,481	2.4	732	18,140	.8
10,000 to 19,999	9,500	137,777	2.4	8,834	127,538	3.7	666	10,239	.5
Less than 10,000	19,821	80,023	1.4	19,543	78,280	2.2	278	1,743	.1
Apparel group:	106,959	3,258,772	100.0	89,578	2,267,166	100.0	17,381	991,606	100.0
$1,000,000 and over	150	366,880	11.3						
500,000 to 999,999	272	185,780	5.7	569	507,231	22.4	361	240,844	24.3
300,000 to 499,999	508	195,415	6.0						
100,000 to 299,999	3,961	614,323	18.8	2,288	351,330	15.5	1,673	262,993	26.5
50,000 to 99,999	8,698	591,087	18.1	5,547	374,468	16.5	3,151	216,619	21.9
30,000 to 49,999	12,504	476,219	14.7	8,783	333,643	14.7	3,721	144,576	14.6
20,000 to 29,999	12,017	295,695	9.1	9,204	225,791	10.0	2,813	69,904	7.0
10,000 to 19,999	23,417	340,362	10.4	20,590	298,323	13.1	2,827	42,039	4.2
Less than 10,000	45,430	191,011	5.9	42,597	176,380	7.8	2,835	14,631	1.5

Abstracted from or based on Census of Business, Vol. I - Retail Trade: 1939 (17).

considerably from one group to another and from one kind of business to another within the same group. Department stores operated by corporations accounted for 97 percent of total sales by all department stores. In the apparel group, the proportion of total sales accounted for by stores operated by corporations averaged 44 percent for men's and boys' furnishings stores, 57 percent for family-clothing stores, and 62 percent for women's ready-to-wear stores (17).

Retailers of finished textile products show wide variations in number of employees and in average annual volume of sales per establishment (table 15). Census reports indicate that in 1939 less than 1 percent of the establishments in the general merchandise and apparel groups had 100 or more employees, but the annual volume of sales of these establishments averaged $2,797,000. About 30 percent of the stores had no employees and the annual volume of sales of these stores averaged less than $5,000. In addition to employees, independent stores made use of active proprietors of unincorporated businesses. The number of these proprietors in the general merchandise and apparel groups averaged about 9 percent of the number of employees and ranged from less than 1 percent for chain to 15 percent for independent stores.

Considerable proportions of the sales by stores in the general merchandise and apparel groups are made on credit. In 1939, according to census reports, about 31 percent of the sales by stores in the general merchandise group and 28 percent of those in the apparel group were made on credit. The proportions ranged from 7 percent for men's and boys' furnishings stores to 47 percent for family-clothing stores. Almost half of the sales by stores reporting credit sales were made on credit. Data for stores reporting an analysis of credit sales show that, for the general merchandise group, 64 percent of the credit sales were on open account and 36 percent on installment. For the apparel group, 81 percent of the credit sales were on open accounts and 19 percent were on installment. The proportions sold on installment ranged from 5 percent for women's ready-to-wear stores to 42 percent for family clothing stores.

The traditional channel - from manufacturer to wholesaler to retailer to consumer - has been criticized for not rendering the admittedly important economic services efficiently. Wholesalers are criticized for not relieving the manufacturers of their storage burdens and their price risks by ordering more in advance, for not reducing transportation and selling costs as much as they might because they insist upon buying in small lots at frequent intervals, for not doing adequately the work of assembly because they refuse to carry as large lines of merchandise as they might, for impeding rather than aiding the introduction of new products by manufacturers, and for keeping many incompetent retailers in business by undue generosity in granting credit to individuals who give no real indication of developing into competent storekeepers (2, pp. 213-214). Retailers have been criticized on the ground that they are too numerous and that many of them are grossly inefficient. Wholesalers and retailers deny that their operations are generally inefficient and blame many of the industry's troubles upon unwise policies of manufacturers.

Table 15.- Number of retail stores, and total and average value of annual sales, by kind of store, kind of business, and number of employees, United States, 1939

Kind of business and number of employees	All stores			Independent stores			Chain stores		
	Stores reported	Sales reported		Stores reported	Sales reported		Stores reported	Sales reported	
		Total	Average		Total	Average		Total	Average
	Number	1,000 dollars	1,000 dollars	Number	1,000 dollars	1,000 dollars	Number	1,000 dollars	1,000 dollars
General merchandise group	50,267	5,665,007	112.7	38,991	3,487,799	89.5	11,276	2,177,208	193.1
100 or more	1,090	3,292,497	3,020.6	604	2,589,209	4,286.8	486	703,288	1,447.1
20 to 99	6,367	1,464,745	230.1	1,146	294,899	257.3	5,221	1,169,846	224.1
10 to 19	4,299	339,189	78.9	1,397	118,928	85.1	2,902	220,261	75.9
8 or 9	1,418	71,493	50.4	744	40,849	54.9	674	30,644	45.5
6 or 7	2,282	93,995	41.2	1,610	68,662	42.6	672	25,333	37.7
4 or 5	3,709	110,477	29.8	3,013	91,060	30.2	696	19,417	27.9
3	3,072	67,421	21.9	2,799	62,613	22.4	273	4,808	17.6
2	4,443	72,429	16.3	4,221	69,710	16.5	222	2,719	12.2
1 or less	8,177	81,167	9.9	8,047	80,275	10.0	130	892	6.9
No employees	15,410	71,594	4.6	15,410	71,594	4.6	---	---	---
Apparel group	106,959	3,258,772	30.5	89,578	2,267,166	25.3	17,381	991,606	57.1
100 or more	236	415,769	1,761.7	183	322,113	1,760.2	53	93,656	1,767.1
20 to 99	2,194	586,359	267.3	1,429	355,895	249.1	765	230,464	301.3
10 to 19	4,792	481,493	100.5	2,899	271,095	93.5	1,893	210,398	111.1
8 or 9	2,845	183,386	64.5	1,606	99,472	61.9	1,239	83,914	67.7
6 or 7	5,563	273,790	49.2	3,422	165,363	48.3	2,141	108,427	50.6
4 or 5	11,194	388,667	34.7	7,391	254,037	34.4	3,803	134,630	35.4
3	10,258	261,129	25.5	7,402	189,112	25.5	2,856	72,017	25.2
2	14,510	262,375	18.1	11,949	217,531	18.2	2,561	44,844	17.5
1 or less	24,147	248,498	10.3	22,077	235,242	10.7	2,070	13,256	6.4
No employees	31,220	157,306	5.0	31,220	157,306	5.0	---	---	---

Abstracted from or based on Census of Business, Vol. I - Retail Trade: 1939 (17).

Whatever the merits of these criticisms may be, the last half century has witnessed a continued development of types of mercantile organizations which combine the functions of wholesalers and retailers under one management, thus eliminating one of the sale-purchase transactions through which goods pass on their way from producers to consumers (2, pp. 214-218). But much of this development may be attributed to changes brought about in connection with the continued concentration of population in the larger cities and towns, the increased use of automobiles and good roads, the spread of style consciousness, and the developments in management methods which increase the effectiveness of operations from one central office. Establishments that have grown up in response to these developments include department stores, chain stores, mail-order houses, and cooperative buying and selling systems.

Department stores are large retail establishments which combine under one roof and one management several divisions, each equivalent to a specialized store. Statistics do not show the proportion of textile products handled by department stores, but some indication of their importance may be obtained from census data showing that in 1939 the number of department stores operating in the United States amounted to 4,074 and the total volume of their sales reached almost 3,975 million dollars. Of these stores, 1,371 were independents, 2,672 were chains, 24 were mail-order houses, and 7 were of other types. The proportion of total sales accounted for by the independent stores amounted to 58.2 percent, by chains 30.0 percent, by mail-order houses 11.7 percent, and by other 0.1 percent.

Department stores take over only a part of the wholesalers' functions. This is evidenced by data on cotton piece goods showing that a few years ago orders received by mills from department stores averaged about one-third or one-half as large as those from wholesalers and cutters, and that some department stores bought more piece goods from wholesalers than from converters or mills (2, pp. 215-216). Although their aggregate volume of sales is large, few department stores are said to be really large-scale buyers of individual commodities from producers. This is accounted for in part at least by the fact that the number of items handled usually is large and that their volume of sales of specific items may be no larger than those of other independent retailers with whom they compete.

Chain stores consist of four or more units of the same general kinds of business owned and operated jointly with central buying, usually supplied from one or more central warehouses. Usually the operation of each store is in the hands of a manager who is not identified as an owner. In 1939, according to census reports, the number of chain stores handling apparel totaled 17,381, of which 2,078 were local, 9,691 sectional or national, 1,956 manufacturer controlled, and 3,656 were leased departments. Sales of apparel in 1939, as reported by the Census of Business, totaled 3,259 million dollars, of which about 992 million dollars, or about 30 percent, were made by chain stores. The proportions for specific kinds of stores were as follows: 24.2 percent for men's-boys' furnishings and hat stores, 21.9 percent for men's and boys' clothing and furnishings, 17.8 percent for family clothing, 28.3

percent for women's ready-to-wear, 11.7 percent for furriers and fur shops, 54.4 percent for millinery, 32 percent for women's accessories, 6.6 percent for infants' and other apparel, 2.1 percent for custom tailors, and 56 percent for shoe stores (17).

Chain stores with their centralized buying take over some but not all of the wholesalers' functions. Some of the chains are very large, operating several thousand stores, but many of them are small with only a few stores. The large chains, in procuring essentially similar merchandise for a large number of stores, buy from manufacturers on a scale comparable with that of wholesalers, but many of the smaller chains are supplied mainly through wholesalers (2, p. 216).

The number of mail-order houses in operation in 1939 totaled 434, according to census reports, and catalog sales totaled 537 million dollars or about 1.3 percent of total retail sales, during this period. Mail-order houses operated in chain units totaled 42 that year and accounted for about three-fourths of the total sales of mail-order houses. Those operated as department stores totaled 24 and accounted for about 86 percent of total sales of mail-order houses. Census reports on specific kinds of stores show that catalog sales of mail-order houses in 1939 totaled $14,657,000 for dry goods (soft lines), $15,646,000 for women's apparel and accessories, $2,336,000 for men's clothing and furnishings, and $236,000 for family clothing.

A large proportion of the aggregate business done by mail-order houses is accounted for by a few large companies that do a Nation-wide business of selling to consumers by mail (2, p. 217). These are large-scale buyers and they do most of their buying direct from producers. The smaller mail-order houses buy larger proportions of their requirements from wholesalers.

Reports indicate that various types of cooperative plans have been worked out in recent years by retailers and wholesalers as a means of improving their efficiency in buying and selling (2, p. 217). An important phase of this development is said to be group or syndicate buying under which department stores and other retailers, whose individual purchases of individual commodities are relatively small, combine to establish a buying organization that will buy for them directly from the manufacturers rather than through wholesalers. Some wholesalers have also formed such buying syndicates. But the available data are not sufficiently adequate to indicate to what extent the "traditional" channel, from producers to wholesalers to retailers, has been affected by these developments.

Charges or Costs Involved

Charges or costs involved in the distribution of finished textile products to ultimate consumers include those of manufacturers, wholesalers, and retailers. But information relative to the kind and extent of services rendered by the different agencies and to the charges made for these services is incomplete. Data relative to these charges or costs of cotton manufacturers and for wholesalers of yarn and piece goods,

for example, usually are not complete enough to show those for finished consumer goods separate from those for intermediate products. Selling expenses of cotton manufacturers and of wholesalers of yarn and cotton piece goods, shown earlier in this report, include those for both intermediate and consumer goods and the available information is not adequate for showing to what extent the expenses for consumer goods differed from those for intermediate products.

Manufacturers.- selling expenses of manufacturers of apparel and other finished textile products are mainly confined to those for consumers' goods. A large proportion of the knitted cloth represents intermediate products, but census reports show that in 1939 knitted cloth accounted for only about 9 percent of the value of the manufacturers' sales of knit goods. Reports of the Federal Trade Commission show that selling expenses to manufacturers of men's and boys' apparel averaged about 10 percent of total sales in 1939 and ranged from 7.1 percent for manufacturers of men's and boys' cotton, leather, and miscellaneous garments to 13.4 percent for manufacturers of men's, youths', and boys' clothing. 9/ In 1940, selling and delivery expenses of men's and boys' clothing averaged 13.5 percent of total sales and ranged from 6.4 percent for manufacturers selling to the trade to 20.9 percent for manufacturers selling through their own retail stores. 10/

Data on manufacturers' costs and margins for men's dress shirts, assembled by the Office of Price Administration, show that in 1942 the manufacturers' selling expenses for shirts with fused collars averaged 7.2 percent of the selling price. The proportions ranged from 2.8 percent for shirts selling at $10.75 to $11.75 per dozen to 8.7 percent for those selling at $16.00 to $16.75 per dozen. The manufacturers' selling expenses for shirts with soft collars averaged 6.9 percent of the selling price and ranged from 2.8 percent for those selling at $10.00 to $11.75 per dozen to 8.8 percent for those selling for $16.00 to $16.75 per dozen (6). The proportions of the selling price accounted for by selling expenses varied somewhat irregularly with prices but usually they were less for the lower-priced than for the medium and higher-priced shirts.

Federal Trade Commission reports on total sales and costs for 17 knit-goods manufacturing corporations show that in 1939 selling expenses accounted for 7.4 percent of total sales. 11/ Data assembled by the Office of Price Administration show that for knit underwear sold to jobber mills the manufacturers' selling and distribution costs in 1942 averaged 5.3 percent of the selling price and ranged from 4 percent for men's union suits to 7.8 percent for infants' wear. Selling and

9/ United States Federal Trade Commission. Industrial Corporation Reports. Men's and Boys' Cotton, Leather, and Miscellaneous Garment Manufacturing Corporations and Men's, Youths', and Boys' Clothing Manufacturing Corporations. 1941 (Processed.)
10/ United States Federal Trade Commission. Industrial Corporation Reports. Summary 1940 Series. 1943 (Processed.)
11/ United States Federal Trade Commission. Industrial Corporation Reports. Knit Goods Manufacturing Corporations. 1941 (Processed.)

discounts for manufacturers of knit goods that sold to retailers averaged 20.5 percent of the selling price in 1942 and the proportions ranged from 10 percent for boys' and girls' pull-overs to 26.4 percent for children's sleeping suits (6). Manufacturers' selling expenses for women's full-fashioned hosiery averaged 4.8 percent of net sales in 1942 and the proportions ranged from 3.6 percent for those distributed to wholesalers to 5.2 percent for those distributed to retailers (6).

Wholesalers.- Substantial proportions of the finished textile goods are handled by wholesalers. Operating expenses of wholesale merchants in 1939, as reported by the Bureau of the Census, averaged 13.8 percent of total sales for dry goods, 14.8 percent for clothing and furnishings, and 14.2 percent for dry goods and clothing and furnishings combined (table 16). The proportions for dry goods ranged from 10 percent for silk, linen, rayon, and velvet piece goods to 19 percent for notions. For clothing and furnishings, they ranged from about 12 percent for dressed fur and fur clothing to almost 17 percent for millinery and millinery supplies. Information relating to operating expenses of wholesale dry-goods houses, obtained from reports of the Wholesale Dry Goods Institute, Inc., show that for the 7 years 1938-44 these expenses averaged 13.52 percent of net sales and ranged from 11.51 percent in 1944 to 15.25 percent in 1938.

Table 16.- Total sales and operating expenses of wholesale merchants for textile products in the United States, 1939

Kind of product	Establishments reported	Total sales	Operating expenses as proportions of sales
	No.	1,000 dol.	Pct.
Dry goods-			
General line	217	204,037	15.2
Hosiery and lingerie	404	84,461	10.9
Notions	861	92,549	19.1
Piece goods-			
General line	46	13,769	15.2
Cotton	282	54,752	11.6
Silk, linen, rayon and velvet	366	78,148	10.0
Woolen and worsted	348	89,046	10.8
Other	309	37,212	15.0
Other dry goods	295	29,656	15.7
All dry goods	3,128	683,630	13.8
Clothing and furnishings-			
General line	422	61,129	14.6
Men's and boy's	1,155	150,644	14.1
Women's and children's	1,056	216,766	15.5
Furs, dressed, and fur clothing	488	61,518	12.2
Millinery and millinery supplies	450	62,184	16.7
All clothing and furnishings	3,571	552,241	14.8
All dry goods and clothing	6,699	1,235,871	14.2

Abstracted from Census of Business: 1939. Wholesale Trade. 16th Census of the United States.

Wholesalers' margins or expenses per dollar of sale for handling textile products usually were considerably less for establishments with large volumes of sales than for those with small volumes. Census reports show that operating expenses of wholesale merchants for handling cotton piece goods, for example, averaged 6.7 percent of total sales for establishments with annual volumes of sales of more than $1,000,000 and 15.3 percent for those with volumes of sales of less than $50,000. Similar data for women's and children's clothing show that expenses of wholesale merchants averaged 14.7 percent of total sales for establishments with annual volumes of sales of $500,000 to $1,000,000 and 22 percent for those with annual volumes of sales of less than $10,000. But wholesale margins for handling some kinds of clothing and furnishings varied irregularly with volume of sales. Operating expenses of wholesale dry goods houses during the 7 years 1938-44, as reported by the Wholesale Dry Goods Institute, Inc., averaged about 12.8 percent of net sales for houses with annual volumes of sales of over $2,000,000 and about 15.3 percent for those with volume of sales of less than $500,000.

The principal items of costs included in margins for wholesalers of textile products are administrative and selling expenses. Census reports for wholesale merchants whose annual volume of sales of textile products amounted to $100,000 or more indicate that in 1939 costs of administration made up on the average about 4.6 percent of the selling price and about one third of total wholesalers' margins or costs (table 17). Costs of administration were somewhat more important for clothing and furnishings than for dry goods, but the differences were not very great. These costs ranged from 3.4 percent of total sales for silk, linen, rayon, and velvet piece goods to 6.8 percent for general lines of piece goods. Selling expenses amounted on the average to about as much as costs of administration for all groups combined, and for dry goods the proportions for selling costs averaged somewhat greater than those for administration. Delivery, warehouse, occupancy, and other expenses were relatively small, as shown in table 17.

The relative importance of some items of expense varied considerably with the volume of business (table 18). The proportion of the selling price of piece goods accounted for by administrative expenses and by rent or occupancy was substantially less for wholesalers who did a large volume of business than for those who did a small volume of business. Administrative expenses ranged downward from 5.2 percent of the selling price of cotton piece goods for wholesalers whose annual volume of sales was from $100,000 to $200,000 to 3.7 percent of the selling price for those with a volume of sales of $500,000 or more, and expenses for rent or occupancy from 2.4 percent to 0.9 percent. Similar differences are shown for other piece goods, but the proportions for clothing and furnishings varied irregularly with volume of business.

Data compiled from reports of the Wholesale Dry Goods Institute, Inc., relating to operating expenses of wholesale dry-goods houses show that, during the 7 years, 1938-44, selling expenses averaged 6.7 percent of net sales or about one-half of the total expenses and ranged from 6.6 percent for houses with annual sales of over $2,000,000, to 7.4 percent for houses with annual sales of less than $500,000 (table 19). Administrative

Table 17.- Operating expenses of wholesale merchants whose sales of textile products amounted to $100,000 or more, United States Summary, 1939

Kind of product	Establishments reported	Volume of sales	Operating expenses as proportion of sales 1/							Active proprietors of unincorporated businesses
			Total	Administration	Selling	Delivery	Warehouse	Occupancy	Other	
	Number	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Number
Dry goods:										
General line	135	161,532	15.4	3.7	6.0	0.9	1.6	1.8	1.4	73
Hosiery and lingerie	124	54,037	10.9	3.7	3.7	.7	.6	1.4	.8	102
Notions	138	48,457	19.4	7.2	6.5	1.8	.9	2.0	1.0	83
Piece goods:										
General line	15	8,018	15.3	6.8	4.1	1.3	.7	1.9	.5	12
Cotton	77	35,996	10.7	4.0	2.8	1.1	.7	1.2	.9	62
Silk, linen, rayon, and velvet	87	43,001	8.7	3.4	2.4	.6	.5	1.2	.6	50
Woolen and worsted	94	57,160	10.5	3.5	4.0	.7	.5	1.2	1.4	69
Other	42	14,316	13.6	4.6	4.7	1.0	.7	1.7	.9	33
Other dry goods specialties	45	14,421	14.9	5.8	3.7	1.1	1.6	2.1	.6	35
All dry goods	757	436,938	13.5	4.2	4.7	.9	1.0	1.6	1.1	519
Clothing and furnishings:										
General line	119	38,956	14.5	4.1	5.2	1.0	.9	2.1	1.2	129
Men's and boys'	218	78,380	14.3	5.4	4.4	.8	1.0	1.6	1.1	171
Women's and children's	336	131,297	14.9	5.5	4.4	1.1	.9	1.9	1.1	221
Furs, dresses, and fur clothing	102	33,778	12.0	4.9	3.0	.6	.3	1.6	1.6	79
Millinery and millinery supplies	94	30,104	16.8	5.5	5.5	1.2	.9	2.3	1.4	67
All clothing and furnishings	868	312,515	14.6	5.2	4.4	1.0	.9	1.9	1.2	667
All dry goods and clothing	1,625	749,453	13.9	4.6	4.6	.9	1.0	1.7	1.1	1,186

1/ Operating expenses include no compensation for active proprietors of unincorporated businesses.

Abstracted from Census of Business, 1939. Wholesale Trade. (18)

Table 18.- Operating expenses of wholesale merchants whose sales of textile products amounted to 100,000 dollars or more, United States summary, 1939

Kind of products and business-size groups	Establishments reported	Volume of sales	Operating expenses as proportion of sales 1/							Active proprietors of unincorporated businesses
			Total	Administration	Selling	Delivery	Warehouse	Occupancy	Other	
	Number	1,000 Dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Number
Piece goods -										
Cotton	77	35,996	10.7	4.0	2.8	1.1	.7	1.2	.9	62
$500,000 and over	25	24,088	9.4	3.7	2.6	1.0	.6	1.2	.7	48
$500,000 - $499,999	14	5,046	12.7	4.3	3.2	1.3	.8	1.4	1.2	9
$200,000 - $299,999	16	3,830	13.4	5.0	3.6	1.2	.6	1.8	1.2	13
$100,000 - $199,999	22	2,933	13.6	5.2	2.8	1.3	1.0	2.4	0.9	16
Silk, linen, rayon, and velvet	87	43,001	8.7	3.4	2.4	.6	.5	1.2	.6	50
$1,000,000 and over	18	19,285	5.7	2.1	1.7	.4	.5	.8	.4	8
$500,000 - $999,999	17	11,809	9.0	3.1	2.6	.9	.7	1.3	.5	7
$300,000 - $499,999	9	3,351	10.0	4.2	2.2	.9	.5	1.3	.9	6
$200,000 - $299,999	17	4,151	14.1	5.9	4.5	.8	.5	1.5	.9	7
$100,000 - $199,999	32	4,905	14.9	6.5	5.5	.9	.6	2.5	1.1	22
Woolen and worsted	94	57,160	10.5	3.5	3.4	.6	.4	1.2	1.4	69
$1,000,000 and over	18	28,545	8.7	2.8	2.1	.5	.5	.8	.5	11
$500,000 - $999,999	21	15,155	8.3	2.9	2.4	.7	.1	1.2	1.0	14
$300,000 - $499,999	13	4,567	10.8	5.6	6.5	.9	.5	2.2	1.2	9
$200,000 - $299,999	19	4,744	13.9	5.1	5.6	1.2	.3	2.4	1.3	15
$100,000 - $199,999	29	4,148	20.3	7.2	5.6	0.7	0.8	2.8	3.4	21
Clothing and furnishings:										
General line	119	38,956	14.5	4.1	5.2	1.0	0.9	2.1	1.2	129
$1,000,000 and over	16	17,104	5.8	1.9	0.9	0.1	0.1	0.3	0.2	5
$500,000 - $999,999	18	6,410	15.8	4.8	6.4	1.2	1.1	2.0	1.3	8
$300,000 - $499,999	29	7,086	14.3	4.3	4.6	1.3	0.6	2.3	1.2	36
$200,000 - $299,999	37	6,977	14.2	4.3	4.4	1.0	0.8	2.4	1.3	66
$100,000 - $199,999	29	4,148	20.3	7.2	5.6	0.7	0.8	2.8	3.4	21
Women's and Children's	356	131,297	14.9	5.5	4.4	1.1	0.9	1.9	1.1	221
$1,000,000 and over	23	32,277	15.1	5.4	4.8	1.1	0.8	1.5	1.5	5
$500,000 - $999,999	59	40,701	14.3	5.4	4.4	1.0	1.0	1.7	0.8	37
$300,000 - $499,999	80	28,134	15.2	5.4	4.5	1.1	0.9	2.2	1.1	37
$200,000 - $299,999	193	35,185	15.3	5.9	4.1	1.1	0.9	2.3	1.1	142
Men's and Boys'	219	78,380	14.3	5.4	4.4	0.8	1.0	1.6	1.1	171
$1,000,000 and over	54	36,855	12.7	5.1	3.9	0.8	1.0	1.1	0.8	21
$500,000 - $999,999	46	17,114	15.9	5.8	5.0	1.0	1.0	1.9	1.3	34
$300,000 - $499,999	46	10,888	16.3	5.5	5.2	0.9	0.9	2.5	1.2	39
$200,000 - $299,999	92	13,493	15.1	5.4	4.3	1.0	0.8	2.3	1.3	77
Specialty lines	124	54,037	10.9	3.7	3.7	0.7	0.5	1.4	0.8	102
Hosiery and lingerie	22	30,751	10.3	3.3	3.8	0.7	0.4	1.3	0.8	25
$500,000 and over	20	11,661	11.8	4.2	3.7	0.9	0.8	1.3	0.9	28
$300,000 - $499,999	25	6,299	11.3	4.2	3.6	0.7	0.5	1.3	1.0	12
$200,000 - $299,999	37	5,326	11.8	3.8	3.2	0.9	0.8	2.1	1.0	37

1/ Operating expenses include no compensation for active proprietors of unincorporated businesses.

Abstracted from Census of Business: 1939, Wholesale Trade, 16th Census of the United States, 1940.

Table 19.- Operating expenses of wholesale dry-goods houses expressed as proportions of net sales, 1938-42

Item	1938-44	1938	1939	1940	1941	1942	1943	1944
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Sales under $500,000								
Total operating expense ...	15.28	16.55	16.76	17.40	16.05	14.22	14.41	11.59
Administrative	5.26	4.85	5.88	4.87	5.38	5.01	5.63	5.17
Buying	.59	.60	.87	.83	.60	.39	.54	.31
Selling	7.37	8.92	7.56	9.16	7.73	7.07	6.79	4.36
Receiving and shipping ..	1.03	1.09	1.08	1.19	1.23	1.09	.74	.80
Occupancy	1.03	1.09	1.37	1.35	1.11	.66	.71	.93
Sales $500,000 - $1,000,000								
Total operating expense ...	13.57	1..64	15.16	14.86	14.24	12.45	10.82	11.62
Administrative	4.38	4.87	4.89	4.59	4.16	4.31	3.58	4.26
Buying	.83	1.03	1.09	1.01	.83	.54	.73	.57
Selling	6.51	7.16	6.86	7.09	7.37	6.17	5.33	5.56
Receiving and shipping ..	.86	1.22	.96	1.04	.88	.55	.71	.67
Occupancy	.99	1.36	1.36	1.13	1.00	.88	.47	.76
Sales $1,000,000 - $2,000,000								
Total operating expense ...	13.06	14.01	13.78	13.86	13.43	12.42	12.25	11.58
Administrative	3.88	4.27	4.10	3.87	4.06	3.73	3.59	3.54
Buying	.91	.96	.90	1.01	1.00	.74	.90	.86
Selling	6.57	6.92	6.99	7.24	6.69	6.49	5.97	5.66
Receiving and shipping ..	.84	.96	.88	.87	.86	.65	.92	.77
Occupancy	.85	.90	.91	.87	.82	.81	.87	.75
Sales over $2,000,000								
Total operating expense ...	12.84	15.00	14.34	13.78	12.47	11.97	11.03	11.28
Administrative	3.31	3.67	3.46	3.64	3.06	3.02	3.01	3.28
Buying	1.12	.82	1.53	1.32	1.20	1.09	.96	.92
Selling	6.56	8.42	7.25	6.81	6.36	6.08	5.44	5.53
Receiving and shipping ..	1.02	1.18	1.14	1.12	1.06	.99	.84	.84
Occupancy	.83	.91	.96	.89	.79	.73	.78	.71
All stores								
Total operating expense ...	13.52	15.25	15.04	14.67	13.73	12.63	11.83	11.61
Administrative	4.09	4.49	4.67	4.20	4.00	3.81	3.60	3.83
Buying	.90	.88	1.06	1.05	.95	.77	.86	.75
Selling	6.67	7.69	7.15	7.36	6.91	6.44	5.77	5.38
Receiving and shipping ..	.93	1.10	1.00	1.03	.96	.83	.84	.78
Occupancy	.93	1.09	1.16	1.03	.89	.78	.76	.77

Derived from unpublished reports of the Wholesale Dry Goods Institute, Inc.

expenses averaged 4.1 percent and ranged from 3.3 percent for houses with annual sales of over $2,000,000 to 5.3 percent for houses with sales of less than $500,000. Expenses of buying, receiving and shipping, and occupancy amounted on the average to 2.8 percent of net sales and they varied somewhat irregularly with volume of sales.

Profits amounted to only a small proportion of the operating expenses of wholesalers of apparel and piece goods in 1939, but the proportion of net sales accounted for by profits increased considerably in recent years. In 1939, median profits, after Federal income and excess profits taxes, for wholesalers ranged from about 0.5 percent of net sales for piece goods to 1.5 percent for women's wear, coats, suits, and dresses. In 1943 the proportions ranged from 1.6 percent for piece goods to 4.8 percent for hosiery and underwear (table 20). Median net profits, after Federal income and excess profits taxes, as proportions of tangible net worth in 1939 ranged from 2.15 percent for hosiery and underwear to 8.3 percent for women's wear, coats, suits, and dresses. In 1943 the proportions ranged from 12.1 percent for piece goods to 27.1 percent for women's wear, coats, suits, and dresses (4).

Retailers.- Total operating expenses to retailers, according to the Census of Business for 1935, amounted to 24.9 percent of total sales for dry goods and general merchandise stores and to 32.6 percent for the apparel group taken as a whole. The proportions in the apparel group varied from less than 30 percent for retailers of men's clothing to more than 58 percent for custom tailors.

According to a report made by the Harvard Bureau of Business Research, margins, or the spread between merchandise costs and net sales, for department stores averaged about 37 percent of net sales in 1939 (10). These margins increased from 33.1 percent in 1932 to 38.7 percent in 1942 and then decreased to 37.9 in 1944 (table 21). The margins for specialty stores averaged about the same as, to somewhat greater than, those for department stores. Department stores of course sell products other than textiles, but an examination of data relating to costs and margins for the various kinds of goods sold by department stores in 1939 and 1942 indicates that the proportions of net sales accounted for by total operating expenses for textiles averaged about the same as those for all kinds of goods combined (7).

Pay-roll expense--comprising salaries, wages, and bonuses for all employees, including executives, but excluding pensions and pay-roll taxes--was by far the largest single item of expense for department and specialty stores (table 21). Pay-roll expenses for department stores decreased from 18.7 percent of net sales and about 56 percent of gross operating margins in 1932 to 15 percent of net sales and less than 40 percent of gross margins in 1944. Real estate costs--including rentals, taxes, and insurance paid on leased real estate as well as taxes, insurance, depreciation, and interest on owned real estate--decreased from 6.5 percent of net sales in 1932 to 2.8 percent in 1944. Advertising costs decreased from 4 percent of net sales in 1932 to 2.2 percent in 1944 and all other expenses decreased from 10.3 percent of net sales to 8 percent during the same period. Net returns increased from a net loss

Table 20.- Median profits for wholesalers of apparel and piece goods as proportions of net sales and of tangible net worth, United States, 1939-43 1/

Kind of product	Net profits 2/ as proportion of net sales 3/					
	1939	1940	1941	1942	1943	Average 1939-43
	Percent	Percent	Percent	Percent	Percent	Percent
Dry goods	0.96	1.14	2.95	2.07	2.46	1.92
Hosiery	.90	.75	2.96	4.52	3.06	2.44
Hosiery and underwear	.60	.87	3.97	2.90	4.80	2.63
Women's wear, coats, suits, & dresses	1.50	.48	2.50	1.66	4.30	2.09
Piece goods, woolen and worsted	.47	.97	2.15	3.06	1.61	1.65
	Net profits as proportion of tangible net worth 4/					
Dry goods	3.57	4.54	13.08	11.88	13.81	9.38
Hosiery	4.30	2.71	15.46	17.35	14.25	10.81
Hosiery and underwear	2.15	3.85	14.67	13.68	18.23	10.52
Women's wear, coats, suits, & dresses	8.31	3.07	13.59	12.59	27.14	12.94
Piece goods, woolen and worsted	2.70	4.19	12.44	19.93	12.10	10.27

1/ The number of concerns reported ranged from 22 for wholesalers of women's wear, coats, suits and dresses to 179 for wholesalers of dry goods.
2/ Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reserves for renegotiation in the case of war contracts; after reductions in the value of inventory to cost or market, whichever lower; after charge-offs for bad debts; and after all miscellaneous reserves and adjustments; but before dividends or withdrawals.
3/ The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales, and after voluntary price deductions on the part of war contractors.
4/ The sum of all outstanding preferred stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stocks, organization expenses, and underwriting discounts and expenses.

Abstracted from a report by Foulke, Roy A., National Thrift and the Public Debt (Dun and Bradstreet, Inc.) 79 pp. 1944.

Table 21.- Average costs, margins, and profits or losses of department and specialty stores expressed as proportions of net sales, United States, 1929, 1932, 1937, and 1939-44

Item	1929	1932	1937	1939	1940	1941	1942	1943	1944
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Department stores									
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Merchandise costs	66.5	66.9	63.6	63.1	63.0	61.8	61.3	61.6	62.1
Gross margin	33.5	33.1	36.4	36.9	37.0	38.2	38.7	38.4	37.9
Total expense	32.3	39.5	36.0	36.4	35.7	34.3	32.1	29.4	28.0
Total pay roll	16.8	18.7	17.9	17.8	17.6	17.3	16.8	15.7	15.0
Real estate costs	3.9	6.5	4.6	4.7	4.4	4.0	3.6	3.2	2.8
Advertising	3.3	4.0	3.6	3.6	3.5	3.1	2.7	2.4	2.2
All other expense	8.3	10.3	9.9	10.3	10.2	9.9	9.0	8.1	8.0
Net profit or loss (-)	1.2	-6.4	.4	.5	1.3	3.9	6.6	9.0	9.9
Number of reports	527	428	458	428	429	407	368	366	372
Specialty stores									
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Merchandise costs	64.7	66.0	63.0	61.3	62.5	61.6	61.2	60.8	61.4
Gross margin	35.3	34.0	37.0	38.7	37.5	38.4	38.8	39.2	38.6
Total expense	33.3	39.6	36.4	37.5	37.1	35.9	33.8	31.2	30.2
Total pay roll	16.5	17.6	17.2	17.6	17.8	17.3	16.8	15.8	15.4
Real estate costs	4.2	7.1	5.0	5.2	4.8	4.7	4.2	3.8	3.7
Advertising	4.0	4.8	4.2	4.4	4.2	4.0	3.8	3.2	3.1
All other expense	8.6	10.1	10.0	10.3	10.3	9.9	9.0	8.4	8.0
Net profit or loss (-)	2.0	-5.6	.6	.3	.4	2.5	5.0	8.0	8.4
Number of reports	85	73	113	93	90	1/61	109	91	95

1/ Because of the difficulty of establishing common figures for specialty stores with net sales of less than $300,000, the general averages for 1941 are based on specialty stores with net sales of $300,000 or more.

Abstracted from Operating Results of Department and Specialty Stores in 1944 (10).

Table 20.- Median profits for wholesalers of apparel and piece goods as proportions of net sales and of tangible net worth, United States, 1939-43 1/

Kind of product	Net profits 2/ as proportion of net sales 3/					
	1939	1940	1941	1942	1943	Average 1939-43
	Percent	Percent	Percent	Percent	Percent	Percent
Dry goods	0.96	1.14	2.95	2.07	2.46	1.92
Hosiery	.90	.75	2.96	4.52	3.06	2.44
Hosiery and underwear	.60	.87	3.97	2.90	4.80	2.63
Women's wear, coats, suits, & dresses	1.50	.48	2.50	1.66	4.30	2.09
Piece goods, woolen and worsted	.47	.97	2.15	3.06	1.61	1.65
	Net profits as proportion of tangible net worth 4/					
Dry goods	3.57	4.64	13.08	11.88	13.81	9.38
Hosiery	4.30	2.71	15.46	17.35	14.25	10.81
Hosiery and underwear	2.15	3.85	14.67	13.68	18.23	10.52
Women's wear, coats, suits, & dresses	8.31	3.07	13.59	12.59	27.14	12.94
Piece goods, woolen and worsted	2.70	4.19	12.44	19.93	12.10	10.27

1/ The number of concerns reported ranged from 22 for wholesalers of women's wear, coats, suits and dresses to 179 for wholesalers of dry goods.
2/ Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reserves for renegotiation in the case of war contracts; after reductions in the value of inventory to cost or market, whichever lower; after charge-offs for bad debts; and after all miscellaneous reserves and adjustments; but before dividends or withdrawals.
3/ The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales, and after voluntary price deductions on the part of war contractors.
4/ The sum of all outstanding preferred stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stocks, organization expenses, and underwriting discounts and expenses.

Abstracted from a report by Foulke, Roy A., National Thrift and the Public Debt (Dun and Bradstreet, Inc.) 79 pp. 1944.

Table 21.- Average costs, margins, and profits or losses of department and specialty stores expressed as proportions of net sales, United States, 1929, 1932, 1937, and 1939-44

Item	1929	1932	1937	1939	1940	1941	1942	1943	1944
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Department stores									
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Merchandise costs	66.5	66.9	63.6	63.1	63.0	61.8	61.3	61.6	62.1
Gross margin	33.5	33.1	36.4	36.9	37.0	38.2	38.7	38.4	37.9
Total expense	32.3	39.5	36.0	36.4	35.7	34.3	32.1	29.4	28.0
Total pay roll	16.8	18.7	17.9	17.8	17.6	17.3	16.8	15.7	15.0
Real estate costs	3.9	6.5	4.6	4.7	4.4	4.0	3.6	3.2	2.8
Advertising	3.3	4.0	3.6	3.6	3.5	3.1	2.7	2.4	2.2
All other expense	8.3	10.3	9.9	10.3	10.2	9.9	9.0	8.1	8.0
Net profit or loss (-)	1.2	-6.4	.4	.5	1.3	3.9	6.6	9.0	9.9
Number of reports	527	428	458	428	429	407	368	366	372
Specialty stores									
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Merchandise costs	64.7	66.0	63.0	61.3	62.5	61.6	61.2	60.8	61.4
Gross margin	35.3	34.0	37.0	38.7	37.5	38.4	38.8	39.2	38.6
Total expense	33.3	39.6	36.4	37.5	37.1	35.9	33.8	31.2	30.2
Total pay roll	16.5	17.6	17.2	17.6	17.8	17.3	16.8	15.8	15.4
Real estate costs	4.2	7.1	5.0	5.2	4.8	4.7	4.2	3.8	3.7
Advertising	4.0	4.8	4.2	4.4	4.2	4.0	3.8	3.2	3.1
All other expense	8.6	10.1	10.0	10.3	10.3	9.9	9.0	8.4	8.0
Net profit or loss (-)	2.0	-5.6	.6	.3	.4	2.5	5.0	8.0	8.4
Number of reports	85	73	113	93	90	1/61	109	91	95

1/ Because of the difficulty of establishing common figures for specialty stores with net sales of less than $300,000, the general averages for 1941 are based on specialty stores with net sales of $300,000 or more.

Abstracted from Operating Results of Department and Specialty Stores in 1944 (10).

INTENTIONAL SECOND EXPOSURE

of 6.4 percent of net sales in 1932 to net profits of 9.9 percent in 1944. The relative amounts of and changes in the items of expenses and net income for specialty stores are similar to those for department stores (table 21).

Operating expenses of department stores are usually relatively higher for stores with large than for those with small volumes of sales. In 1942, for example, total expenses increased from 29.2 percent of net sales for stores with net sales of less than $750,000 to 32.7 percent for those with net sales of $20,000,000 or more per year (10). Similar data for 1944 show that total operating expenses increased from about 22 percent of net sales for stores with annual net sales of less than $300,000 to more than 28 percent for those with net sales of $20,000,000 or more (table 22). These differences in operating expenses are only partially offset by differences in merchandise costs. In 1944, net profits before Federal income tax averaged more than 11 percent of net sales for stores with annual net sales of less than $1,000,000, compared with net profits of 9.6 percent for stores with net sales of $20,000,000 to $30,000,000 and of 8.7 percent for stores with net sales of $30,000,000 or more (10). The proportions of net sales accounted for by pay roll and by most other items of expense averaged greater for stores with larger than for those with smaller volumes of annual sales.

Data on retailers' operating costs made available by Dun and Bradstreet, Inc., show that retailers' margins, or the differences between net sales and costs of the goods sold, for dry-goods and general merchandise stores and for the apparel group averaged 30.8 percent of net sales in 1939. The proportions amounted to 28.1 percent for dry goods and general merchandise stores, 30.5 percent for women's ready-to-wear, 30.6 percent for family clothing, 31.8 percent for men's clothing, 34.2 percent for men's furnishings, 35.8 percent for lingerie, hosiery, millinery, and accessory stores, and 63.2 percent for custom tailors (12).

Results of a comprehensive survey made by the Bureau of Labor Statistics for the Office of Price Administration to supply information regarding retailers' margins on apparel and other textiles in different kinds of retail stores throughout the country show that these margins vary considerably. The survey covered about 2,600 retail stores in about 150 cities of differing sizes distributed throughout the United States. Data regarding retail prices and costs were obtained through personal interviews for the best selling price lines of the various commodities. The data on costs do not include freight and other transportation charges. Any cash discounts allowed were not deducted from costs regardless of whether the buyer took advantage of the discounts by making payment within the allotted time.

Data relative to retail prices, costs, and margins were assembled for the periods March and September 1941 and 1942. Analysis of these data showed that margins in March were usually about the same as the corresponding margins in September of the same year. The detailed data here given are confined to those for September 1941 and 1942. A general examination of the data indicates that percentage margins varied irregularly from one type of store to another and from one size group

Table 22.- Costs, expenses, and profits of department stores expressed as proportions of net sales, by volume of sales, United States, 1944

Item	Volume of net sales in thousands of dollars									
	Less than $150	$150-300	$300-500	$500-750	$750-1,000	$1,000-2,000	$2,000-4,000	$4,000-10,000	$10,000-20,000	$20,000-30,000	$30,000 or more
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Merchandise costs	66.5	64.4	64.0	62.5	62.5	61.6	61.6	61.6	61.6	61.6	62.7
Total expense	22.3	21.4	24.6	25.0	26.0	27.2	28.2	27.0	27.9	28.8	28.6
Net profit	11.2	14.2	11.4	11.0	11.5	10.2	10.2	11.4	10.5	9.6	8.7
Total pay roll	13.9	12.7	14.3	13.7	14.0	15.0	15.0	14.4	15.1	15.6	15.1
Real estate costs 1/	2.0	2.0	2.9	2.4	2.8	2.6	3.0	3.0	2.7	2.5	3.0
Advertising	.8	.8	1.5	1.5	2.1	2.0	2.3	2.0	2.2	2.1	2.3
Taxes 2/	.7	.8	.8	1.0	.8	1.0	1.0	1.0	1.1	1.0	1.2
Interest 3/	1.2	1.3	1.2	1.2	1.2	1.2	1.3	1.2	1.2	1.3	1.2
Supplies	.6	.7	.8	1.0	.9	1.2	1.3	1.2	1.3	1.2	1.2
Service purchased	.6	.6	.6	.6	.6	.6	.8	.6	.7	.8	.8
All other expense	2.5	2.5	2.5	3.6	3.6	3.6	3.5	3.6	3.6	4.3	3.8
Other net income	1.3	1.4	1.5	2.2	2.2	2.1	2.3	2.0	2.3	2.4	2.7
Net gain before Federal taxes on income	12.5	15.6	12.9	13.2	13.7	12.3	12.5	13.4	12.8	12.0	11.4
Number of reports 4/	25	29	34	32	26	61	43	55	34	18	15

1/ Real estate costs include rentals, taxes, and insurance paid on leased real estate plus depreciation on leasehold improvements and leasehold valuation; in addition, they include taxes, interest, insurance, and depreciation on owned real estate used in the business.
2/ These taxes do not include taxes on real estate or Federal income taxes, but they include pay roll taxes and such taxes on sales or gross income as the stores were unable to collect directly from their customers.
3/ Except on real estate.
4/ Some reports covered the operation of more than one store.

Abstracted from Operating Results of Department and Specialty Stores in 1944 (10).

to another in the same region. Some regional variations in margins were indicated but at least a part of these may be accounted for by differences in transportation costs.

These data relating to typical costs to retailers, not including freight and other transportation charges, and to retail prices for popular lines show that in September 1942 average retailers' margins for yard goods and domestics, for example, ranged from about 28 percent of the retail price for bed sheets to about 39 percent for cotton yard goods (table 23). Similar margins for apparel ranged from less than 33 percent to more than 40 percent. Margins for $1.98 cotton dresses, for example, averaged about one third of the retail price and were about the same as those for dresses of the same price line made of rayon or wool. But retailers' margins for $3.98 cotton dresses averaged more than 36 percent of the retail price and were somewhat greater than those for dresses of the same price line made of other materials. Retailers' margins for apparel and textiles in September 1942 usually averaged about the same as the corresponding margins a year earlier.

Retailers' margins when expressed as proportions of the retail price of the products usually average somewhat greater for the higher than for the lower price lines. Data presented in 1939 by the National Bureau of Economic Research on wholesale and retail prices of women's dresses by price lines show that retailers' margins for dresses that retailed for less than $2 each usually amounted to less than one-third of the retail price; whereas, for some of the higher price lines the retailers' margins amounted to more than 40 percent of the selling price (13).

An examination of the data relating to typical retailers' margins for popular price lines in September 1941 and 1942 shows some irregular variations but usually the proportion of the retail price accounted for by the retailers' margins increased from the lower to the higher price lines (table 23). Data for the different price lines for several of the commodities were arrayed from the lowest to the highest reported and then divided into four groups of approximately the same number of price lines. Retailers' margins for each group when expressed as proportions of the retail price show that almost invariably the margins increased appreciably from the lower to the higher-priced group. Simple averages of these margins show increases of from 33.9 percent to 36 percent in the lower price groups and from 37.9 percent to 38.8 percent in the higher price groups (6).

Margins for different retailers of the same commodity and price line vary considerably. Frequency distributions of retailers' margins for specified commodities and price lines show that in September 1941 and 1942 margins for individual retailers ranged from less than 21 percent to more than 47 percent of the retail price of the products (table 24). Most of the margins came within the range of 30 to 45 percent. But a substantial proportion of the retailers' margins for yard goods, bath towels, cotton-knit undershirts and union suits, and men's work socks had margins of less than 30 percent; and considerable proportions of the retailers' margins for women's $10.98 dresses, cotton-knit

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/

Item	Retail price line	1941				1942			
		Stores reported	Average cost 2/	Retail margin	Proportion of retail price	Stores reported	Average cost 2/	Retail margin	Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Yard goods and domestics:									
Yard goods, cotton	0.29	165	0.18	0.11	37.9	133	0.20	0.09	31.0
Yard goods, rayon	.69	77	.40	.29	42.0	91	.42	.27	39.1
Yard goods, wool	1.98	65	1.23	.75	37.9	29	1.26	.72	36.4
Bath towels	.29	131	.19	.10	34.5	92	.19	.10	34.5
Bed sheets	1.49	71	1.02	.47	31.5	95	1.07	.42	28.2
Table linens	1.98	48	1.24	.74	37.4	48	1.28	.70	35.4
Bed spreads	3.98	52	2.55	1.43	35.9	66	2.59	1.39	34.9
Blankets	2.98	41	1.92	1.06	35.6	44	1.96	1.02	34.2
Comforters and quilts	3.98	30	2.55	1.43	35.9	25	2.63	1.35	33.9
Women's clothing:									
Dresses, cotton	1.98	123	1.32	.66	33.3	136	1.33	.65	32.8
Dresses, cotton	3.98	84	2.51	1.47	36.9	101	2.52	1.46	36.7
Dresses, other	3.98	185	2.59	1.39	34.9	207	2.59	1.39	34.9
Dresses	5.95	202	3.59	2.36	39.7	243	3.58	2.37	39.8
Dresses	8.95	204	5.39	3.56	39.8	297	5.49	3.46	38.7
Dresses	10.95	281	6.72	4.23	38.6	269	6.66	4.29	39.2
Dresses	14.95	122	8.70	6.25	41.8	112	8.70	6.25	41.8
Cloth coats	10.95	114	6.79	4.16	38.0	115	6.93	4.02	36.7
Cloth coats	16.95	177	10.52	6.43	37.9	172	10.43	6.52	38.5
Cloth coats	29.95	202	16.90	13.05	43.6	224	11.43	12.52	41.8
Cloth coats	39.95	184	23.58	16.37	41.0	154	23.81	16.14	40.4
Cloth coats	69.95	140	40.50	29.45	42.1	102	40.84	29.11	41.6
Cloth coats	79.95	61	47.91	32.04	40.1	72	47.69	32.26	40.4

Continued -

INTENTIONAL SECOND EXPOSURE

to another in the same region. Some regional variations in margins were indicated but at least a part of these may be accounted for by differences in transportation costs.

These data relating to typical costs to retailers, not including freight and other transportation charges, and to retail prices for popular lines show that in September 1942 average retailers' margins for yard goods and domestics, for example, ranged from about 28 percent of the retail price for bed sheets to about 39 percent for cotton yard goods (table 23). Similar margins for apparel ranged from less than 33 percent to more than 40 percent. Margins for $1.98 cotton dresses, for example, averaged about one third of the retail price and were about the same as those for dresses of the same price line made of rayon or wool. But retailers' margins for $3.98 cotton dresses averaged more than 36 percent of the retail price and were somewhat greater than those for dresses of the same price line made of other materials. Retailers' margins for apparel and textiles in September 1942 usually averaged about the same as the corresponding margins a year earlier.

Retailers' margins when expressed as proportions of the retail price of the products usually average somewhat greater for the higher than for the lower price lines. Data presented in 1939 by the National Bureau of Economic Research on wholesale and retail prices of women's dresses by price lines show that retailers' margins for dresses that retailed for less than $2 each usually amounted to less than one-third of the retail price; whereas, for some of the higher price lines the retailers' margins amounted to more than 40 percent of the selling price (13).

An examination of the data relating to typical retailers' margins for popular price lines in September 1941 and 1942 shows some irregular variations but usually the proportion of the retail price accounted for by the retailers' margins increased from the lower to the higher price lines (table 23). Data for the different price lines for several of the commodities were arrayed from the lowest to the highest reported and then divided into four groups of approximately the same number of price lines. Retailers' margins for each group when expressed as proportions of the retail price show that almost invariably the margins increased appreciably from the lower to the higher-priced group. Simple averages of these margins show increases of from 33.9 percent to 36 percent in the lower price groups and from 37.9 percent to 38.8 percent in the higher price groups (6).

Margins for different retailers of the same commodity and price line vary considerably. Frequency distributions of retailers' margins for specified commodities and price lines show that in September 1941 and 1942 margins for individual retailers ranged from less than 21 percent to more than 47 percent of the retail price of the products (table 24). Most of the margins came within the range of 30 to 45 percent. But a substantial proportion of the retailers' margins for yard goods, bath towels, cotton-knit undershirts and union suits, and men's work socks had margins of less than 30 percent; and considerable proportions of the retailers' margins for women's $10.98 dresses, cotton-knit

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/

Item	1941				1942			
	Retail price line reported	Stores reported	Retail margin: Average cost 2/	Retail margin: Proportion of retail price	Retail price line reported	Stores reported	Retail margin: Average cost 2/	Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Percent	Dollars	Number	Dollars	Percent
Yard goods and domestics:								
Yard goods, cotton	0.29	165	0.18	37.9	0.29	133	0.20	31.0
Yard goods, rayon	.69	77	.40	42.0	.69	91	.42	39.1
Yard goods, wool	1.98	65	1.23	37.9	1.98	29	1.26	36.4
Bath towels	.29	131	.19	34.5	.29	92	.19	34.5
Bed sheets	1.49	71	1.02	31.5	1.49	95	1.07	28.2
Table linens	1.98	48	1.24	37.4	1.98	48	1.28	35.4
Bed spreads	3.98	52	2.55	35.9	3.98	66	2.59	34.9
Blankets	2.98	41	1.92	35.6	2.98	44	1.96	34.2
Comforters and quilts	3.98	30	2.55	35.9	3.98	25	2.63	33.9
Women's clothing:								
Dresses, cotton	1.98	123	1.32	33.3	1.98	136	1.33	32.8
Dresses, cotton	3.98	84	2.51	36.9	3.98	101	2.52	36.7
Dresses, other	3.98	185	2.59	34.9	3.98	207	2.59	34.9
Dresses	5.95	202	3.59	39.7	5.95	243	3.58	39.8
Dresses	8.95	204	5.39	39.8	8.95	297	5.49	38.7
Dresses	10.95	281	6.72	38.6	10.95	269	6.66	39.2
Dresses	14.95	122	8.70	41.8	14.95	112	8.70	41.8
Cloth coats	10.95	114	6.79	38.0	10.95	115	6.93	36.7
Cloth coats	16.95	177	10.52	37.9	16.95	172	10.43	38.5
Cloth coats	29.95	202	16.90	43.6	29.95	224	11.43	41.8
Cloth coats	39.95	184	23.58	41.0	39.95	154	23.81	40.4
Cloth coats	69.95	140	40.50	42.1	69.95	102	40.84	41.6
Cloth coats	79.95	61	47.91	40.1	79.95	72	47.69	40.4

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/ - Continued

Item	1941				1942			
	Retail price line	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Misses' clothing:									
Dresses, cotton	1.98	98	1.33	0.65	32.8	124	1.32	0.66	33.3
Dresses, cotton	3.98	77	2.50	1.48	37.2	81	2.53	1.45	36.4
Dresses, other	3.98	162	2.58	1.40	35.2	160	2.58	1.40	35.2
Dresses, street	5.95	175	3.59	2.36	39.7	188	3.61	2.34	39.3
Dresses, street	8.95	195	5.36	3.59	40.1	287	5.48	3.47	38.8
Dresses, street	10.95	230	6.66	4.29	39.2	225	6.62	4.33	39.5
Dresses, street	14.95	124	8.80	6.15	41.1	123	8.83	6.12	40.9
Suits	10.95	104	6.70	4.25	38.8	107	6.89	4.06	37.1
Suits	16.95	103	10.34	6.61	39.0	86	10.32	6.63	39.1
Suits	29.95	137	17.14	12.81	42.8	128	17.29	12.66	42.3
Cloth coats	10.95	110	6.75	4.20	38.4	106	6.87	4.08	37.3
Cloth coats	16.95	165	10.45	6.50	38.3	154	10.41	6.54	38.6
Cloth coats	29.95	190	17.00	12.95	43.2	222	17.43	12.52	41.8
Cloth coats	39.95	189	24.00	15.95	39.9	163	24.49	15.46	38.7
Cloth coats	69.95	127	40.40	29.55	42.2	95	40.71	29.24	41.8
Cloth coats	79.95	70	48.93	31.02	38.8	71	48.66	31.29	39.1
Juniors' clothing:									
Dresses, cotton	1.98	74	1.32	.66	33.3	85	1.34	.64	32.3
Dresses, cotton	3.98	64	2.52	1.46	36.7	80	2.53	1.45	36.4
Dresses, other	3.98	131	2.61	1.37	34.4	138	2.59	1.39	34.9
Dresses, street	5.95	128	3.62	2.33	39.2	139	3.63	2.32	39.0
Dresses, street	8.95	144	5.40	3.55	39.7	212	5.49	3.46	38.7
Dresses, street	10.95	186	6.73	4.22	38.5	186	6.72	4.23	38.6

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/ Continued

Item	1941				1942			
	Retail price line	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Juniors' clothing (Continued):									
Dresses, street	14.95	127	8.72	6.23	41.7	133	8.82	6.13	41.0
Suits	10.95	60	6.79	4.16	38.0	51	6.76	4.19	38.3
Suits	19.95	132	11.99	7.96	39.9	136	12.14	7.81	39.1
Suits	29.95	84	16.98	12.97	43.3	78	17.37	12.58	42.0
Cloth coats	10.95	97	6.74	4.21	38.4	74	6.94	4.01	36.6
Cloth coats	16.95	144	10.44	6.51	38.4	114	10.42	6.53	38.5
Cloth coats	29.95	127	17.08	12.87	43.0	155	17.48	12.47	41.6
Cloth coats	39.95	112	23.90	16.05	40.2	108	24.28	15.67	39.2
Cloth coats	69.95	90	40.36	29.59	42.3	69	40.84	29.11	41.6
Cloth coats	79.95	41	47.88	32.07	40.1	43	48.05	31.90	39.9
Girls' clothing:									
Dresses, cotton	1.98	170	1.31	.67	33.8	158	1.32	.66	33.3
Dresses, rayon or wool	1.98	153	1.30	.68	34.3	144	1.31	.67	33.8
Separate skirts	2.98	125	1.87	1.11	37.2	145	1.88	1.10	36.9
Separate jackets	3.98	66	2.52	1.46	36.7	69	2.53	1.45	36.4
Sportswear, shorts and slacks	1.98	56	1.28	.70	35.4	51	1.29	.69	34.8
Sportswear, snowsuits	10.95	49	6.71	4.24	38.7	36	6.69	4.26	38.9
Bathing suits	1.98	39	1.30	.68	34.3	40	1.30	.68	34.3
Cotton slips	.39	106	.24	.15	38.5	107	.25	.14	35.9
Sweaters	1.98	161	1.32	.66	33.3	106	1.31	.67	33.8
Blouses	1.19	81	.71	.48	40.3	64	.74	.45	37.8
Coats	10.95	106	6.66	4.29	39.2	105	6.74	4.21	38.4
Coats	14.95	54	8.56	6.39	42.7	63	8.63	6.32	42.3

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/ Continued

Item	1941					1942			
	Retail price line	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Children's clothing:									
Dresses, cotton	1.98	154	1.30	0.68	34.3	167	1.31	0.67	33.8
Dresses, rayon or wool	1.98	146	1.30	.68	34.3	148	1.32	.66	33.3
Snowsuits	5.98	32	3.76	2.22	37.1	34	3.81	2.17	36.3
Coat and leggin set	3.98	19	2.51	1.47	36.9	19	2.58	1.40	35.2
Sweaters	1.98	147	1.30	.68	34.3	95	1.31	.67	33.8
Overalls	1.98	85	1.29	.69	34.8	62	1.30	.68	34.3
Playsuits	.69	38	.43	.26	37.7	46	.46	.23	33.3
Wash suits	1.98	73	1.30	.68	34.3	69	1.30	.68	34.3
Unionsuits, cotton-knit	.69	105	.42	.27	39.1	132	.44	.25	36.2
Hosiery	.29	184	.18	.11	37.9	303	.18	.11	37.9
Infants' wear:									
Dresses	1.19	67	.72	.47	39.5	76	.75	.44	37.0
Diapers	2.50	60	1.49	1.01	40.4	257	1.51	.99	39.6
Creepers and rompers	1.19	93	.71	.48	40.3	95	.72	.47	39.5
Playsuits and sunsuits	1.00	37	.65	.35	35.0	35	.65	.35	35.0
Coats	2.98	53	1.88	1.10	36.9	32	1.91	1.07	35.9
Snowsuits	2.98	61	1.85	1.13	37.9	36	1.91	1.07	35.9
Leggins and leggin sets	3.98	64	2.52	1.46	36.7	72	2.58	1.40	35.2
Women's, misses', and juniors' clothing:									
Uniforms, cotton or rayon	1.98	50	1.29	.69	34.8	78	1.29	.69	34.8
Aprons	.39	105	.24	.15	38.5	165	.25	.14	35.9
Housecoats, cotton	2.98	181	1.89	1.09	36.6	190	1.93	1.05	35.2

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/ Continued

Item	1941					1942			
	Retail price line	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price	Stores reported	Average cost 2/	Retail margin: Actual	Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Women's, misses', and juniors' clothing (Continued):									
Panties, rayon-knit	0.59	194	0.35	0.24	40.7	183	0.35	0.24	40.7
Unionsuits, cotton or part wool, knit-heavyweight	.79	47	.49	.30	38.0	54	.49	.30	38.0
Slips, woven fabrics	1.29	109	.80	.49	38.0	172	.83	.46	35.7
Sweaters	1.98	222	1.31	.67	33.8	106	1.33	.65	32.8
Sweaters	2.98	228	1.89	1.09	36.6	254	1.92	1.06	35.6
Sweaters	3.98	86	2.47	1.51	37.9	134	2.50	1.48	37.2
Millinery	1.98	133	1.11	.87	43.9	133	1.14	.84	42.4
Millinery	2.98	76	1.51	1.47	49.3	85	1.52	1.46	49.0
Millinery	5.95	59	3.09	2.86	48.1	57	3.07	2.88	48.4
Gloves	.59	107	.37	.22	37.3	102	.38	.21	35.6
Gloves	1.00	406	.61	.39	39.0	361	.62	.38	38.0
Handbags	1.00	304	.64	.36	36.0	179	.66	.34	34.0
Handbags	2.98	112	1.79	1.19	39.9	117	1.84	1.14	38.3
Hosiery, full-fashioned	.79	185	.52	.27	34.2	140	.52	.27	34.2
Hosiery, full-fashioned	1.00	349	.63	.37	37.0	337	.64	.36	36.0
Hosiery, full-fashioned	1.15	136	.69	.46	40.0	284	.70	.45	39.1
Hosiery, full-fashioned	1.35	128	.81	.54	40.0	171	.82	.53	39.3
Bathing suits	2.98	57	1.88	1.10	36.9	48	1.87	1.11	37.2
Corsets and girdles	2.50	123	1.45	1.05	42.0	141	1.50	1.00	40.0
Corsets and girdles	5.00	197	2.98	2.02	40.4	121	2.98	2.02	40.4
Brassieres	1.25	164	.74	.51	40.8	224	.75	.50	40.0

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/Continued

Item	Retail price line	1941 Stores reported	1941 Average cost 2/	1941 Retail margin Actual	1941 Retail margin Proportion of retail price	1942 Stores reported	1942 Average cost 2/	1942 Retail margin Actual	1942 Retail margin Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Women's, misses', and juniors' clothing (Continued):									
Fur coats, rabbit	49.50	31	28.90	20.60	41.6	29	29.37	20.13	40.7
Fur coats, muskrat	198.00	28	125.20	72.80	36.8	28	124.04	73.96	37.4
Slacks	2.98	67	1.94	1.04	34.9	83	1.92	1.06	35.6
Slacks	3.98	123	2.56	1.42	35.7	136	2.61	1.37	34.4
Slacks	5.95	90	3.62	2.33	39.2	102	3.66	2.29	38.5
Separate skirts	1.98	204	1.32	.66	33.3	113	1.33	.65	32.8
Separate skirts	2.98	177	1.90	1.08	36.2	196	1.90	1.08	36.2
Separate skirts	3.98	134	2.49	1.49	37.4	173	2.50	1.48	37.2
Separate skirts	5.95	71	3.71	2.24	37.6	92	3.66	2.29	38.5
Separate jackets	2.98	48	2.06	.92	30.9	50	1.99	.99	33.2
Separate jackets	3.98	101	2.59	1.39	34.9	65	2.71	1.27	31.9
Separate jackets	5.95	60	3.63	2.32	39.0	64	3.66	2.29	38.5
Separate jackets	10.95	59	6.67	4.28	39.1	60	6.66	4.29	39.2
Blouses	1.29	74	.81	.48	37.2	130	.83	.46	35.7
Blouses	1.98	189	1.31	.67	33.8	149	1.33	.65	32.8
Blouses	2.98	106	1.87	1.11	37.2	111	1.85	1.13	37.9
Men's and young men's clothing and furnishings:									
Men's suits, worsted	29.50	62	17.99	11.51	39.0	56	18.67	10.83	36.7
Men's suits, worsted	35.00	102	20.73	14.27	40.8	105	21.12	13.88	39.7
Men's suits, worsted	45.00	41	26.19	18.81	41.8	63	26.40	18.60	41.3

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/Continued

Item	Retail price line	1941 Stores reported	1941 Average cost 2/	1941 Retail margin Actual	1941 Retail margin Proportion of retail price	1942 Stores reported	1942 Average cost 2/	1942 Retail margin Actual	1942 Retail margin Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Men's and young men's clothing and furnishings (Continued):									
Men's suits, tweeds, etc.	25.00	72	15.41	9.59	38.4	41	15.61	9.39	37.6
Men's suits, tweeds, etc.	35.00	74	20.85	14.15	40.4	73	20.80	14.20	40.6
Men's suits, tweeds, etc.	45.00	15	26.29	18.71	41.6	27	26.15	18.85	41.9
Men's suits, tropical, worsteds	22.50	27	13.29	9.21	40.9	16	13.81	8.69	38.6
Men's suits, tropical, worsteds	25.00	42	15.18	9.82	39.3	37	15.20	9.80	39.2
Men's suits, tropical, worsteds	35.00	14	21.43	13.57	38.8	16	20.74	14.26	40.7
Suits, student size, wool	19.95	30	12.31	7.64	38.3	31	12.44	7.51	37.6
Suits, student size, wool	25.00	42	14.89	10.11	40.4	53	14.93	10.07	40.3
Suits, cadet size, wool	12.95	29	7.71	5.24	40.5	26	7.87	5.08	39.2
Suits, cadet size, wool	16.95	26	10.07	6.88	40.6	28	10.13	6.82	40.2
Suits, cadet size, wool	19.95	15	12.33	7.62	38.2	11	12.30	7.65	38.3
Men's topcoats	25.00	68	15.07	9.93	39.7	35	14.96	10.04	40.2
Men's topcoats	35.00	64	20.21	14.79	42.3	72	20.32	14.68	41.9
Men's topcoats	45.00	24	26.04	18.96	42.1	31	26.57	18.43	41.0
Topcoats, student size	6.95	20	4.07	2.88	41.4	20	4.35	2.60	37.4
Topcoats, student size	9.95	33	6.34	3.61	36.3	16	6.21	3.74	37.6
Topcoats, student size	12.95	30	7.57	5.38	41.5	28	8.02	4.93	38.1
Men's overcoats	25.00	27	15.44	9.56	38.2	21	15.30	9.70	38.8
Men's overcoats	35.00	41	20.51	14.49	41.4	32	20.22	14.78	42.2
Men's overcoats	45.00	21	26.73	18.27	40.6	23	26.28	18.72	41.6
Raincoats, gabardine, etc.	6.95	28	4.21	2.74	39.4	51	4.29	2.66	38.3
Raincoats, gabardine, etc.	10.95	33	6.54	4.41	40.3	46	6.58	4.37	39.9
Raincoats, gabardine, etc.	25.75	12	15.25	10.50	40.8	24	15.41	10.34	40.2

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/Continued

Item	1941 Retail price line	1941 Stores reported	1941 Retail margin: Average cost 2/	1941 Retail margin: Actual	1941 Retail margin: Proportion of retail price	1942 Stores reported	1942 Retail margin: Average cost 2/	1942 Retail margin: Actual	1942 Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Women's, misses', and juniors' clothing (Continued):									
Fur coats, rabbit	49.50	31	28.90	20.60	41.6	29	29.37	20.13	40.7
Fur coats, muskrat	198.00	28	125.20	72.80	36.8	28	124.04	73.96	37.4
Slacks	2.98	67	1.94	1.04	34.9	83	1.92	1.06	35.6
Slacks	3.98	123	2.56	1.42	35.7	136	2.61	1.37	34.4
Slacks	5.95	90	3.62	2.33	39.2	102	3.66	2.29	38.5
Separate skirts	1.98	204	1.32	.66	33.3	113	1.33	.65	32.8
Separate skirts	2.98	177	1.90	1.08	36.2	196	1.90	1.08	36.2
Separate skirts	3.98	134	2.49	1.49	37.4	173	2.50	1.48	37.2
Separate skirts	5.95	71	3.71	2.24	37.6	92	3.66	2.29	38.5
Separate jackets	2.98	48	2.06	.92	30.9	50	1.99	.99	33.2
Separate jackets	3.98	101	2.59	1.39	34.9	65	2.71	1.27	31.9
Separate jackets	5.95	60	3.63	2.32	39.0	64	3.66	2.29	38.5
Separate jackets	10.95	59	6.67	4.28	39.1	60	6.66	4.29	39.2
Blouses	1.29	74	.81	.48	37.2	130	.83	.46	35.7
Blouses	1.98	189	1.31	.67	33.8	149	1.33	.65	32.8
Blouses	2.98	106	1.87	1.11	37.2	111	1.85	1.13	37.9
Men's and young men's clothing and furnishings:									
Men's suits, worsted	29.50	62	17.99	11.51	39.0	56	18.67	10.83	36.7
Men's suits, worsted	35.00	102	20.73	14.27	40.8	105	21.12	13.88	39.7
Men's suits, worsted	45.00	41	26.19	18.81	41.8	63	26.40	18.60	41.3

Continued -

INTENTIONAL SECOND EXPOSURE

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/Continued

Item	1941 Retail price line	1941 Stores reported	1941 Retail margin: Average cost 2/	1941 Retail margin: Actual	1941 Retail margin: Proportion of retail price	1942 Stores reported	1942 Retail margin: Average cost 2/	1942 Retail margin: Actual	1942 Retail margin: Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Men's and young men's clothing and furnishings (Continued):									
Men's suits, tweeds, etc.	25.00	72	15.41	9.59	38.4	41	15.61	9.39	37.6
Men's suits, tweeds, etc.	35.00	74	20.85	14.15	40.4	73	20.80	14.20	40.6
Men's suits, tweeds, etc.	45.00	15	26.29	18.71	41.6	27	26.15	18.85	41.9
Men's suits, tropical, worsteds	22.50	27	13.29	9.21	40.9	16	13.81	8.69	38.6
Men's suits, tropical, worsteds	25.00	42	15.18	9.82	39.3	37	15.20	9.80	39.2
Men's suits, tropical, worsteds	35.00	14	21.43	13.57	38.8	16	20.74	14.26	40.7
Suits, student size, wool	19.95	30	12.31	7.64	38.3	31	12.44	7.51	37.6
Suits, student size, wool	25.00	42	14.89	10.11	40.4	53	14.93	10.07	40.3
Suits, cadet size, wool	12.95	29	7.71	5.24	40.5	26	7.87	5.08	39.2
Suits, cadet size, wool	16.95	26	10.07	6.88	40.6	28	10.13	6.82	40.2
Suits, cadet size, wool	19.95	15	12.33	7.62	38.2	11	12.30	7.65	38.3
Men's topcoats	25.00	68	15.07	9.93	39.7	35	14.96	10.04	40.2
Men's topcoats	35.00	64	20.21	14.79	42.3	72	20.32	14.68	41.9
Men's topcoats	45.00	24	26.04	18.96	42.1	31	26.57	18.43	41.0
Topcoats, student size	6.95	20	4.07	2.88	41.4	20	4.35	2.60	37.4
Topcoats, student size	9.95	33	6.34	3.61	36.3	16	6.21	3.74	37.6
Topcoats, student size	12.95	30	7.57	5.38	41.5	28	8.02	4.93	38.1
Men's overcoats	25.00	27	15.44	9.56	38.2	21	15.30	9.70	38.8
Men's overcoats	35.00	41	20.51	14.49	41.4	32	20.22	14.78	42.2
Men's overcoats	45.00	21	26.73	18.27	40.6	23	26.28	18.72	41.6
Raincoats, gabardine, etc.	6.95	28	4.21	2.74	39.4	51	4.29	2.66	38.3
Raincoats, gabardine, etc.	10.95	33	6.54	4.41	40.3	46	6.58	4.37	39.9
Raincoats, gabardine, etc.	25.75	12	15.25	10.50	40.8	24	15.41	10.34	40.2

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/ - Continued

Item	Retail price line	1941 Stores reported	1941 Average cost 2/	1941 Retail margin Actual	1941 Retail margin Proportion of retail price	1942 Stores reported	1942 Average cost 2/	1942 Retail margin Actual	1942 Retail margin Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Men's and young men's clothing and furnishings (Continued):									
Sport coats	15.00	69	9.15	5.85	39.0	44	9.39	5.61	37.4
Trousers or slacks, wool	3.95	31	2.54	1.41	35.7	48	2.47	1.48	37.5
Trousers or slacks, wool	7.95	93	4.69	3.26	41.0	64	4.97	2.98	37.5
Sport slacks, other than wool	3.95	60	2.43	1.52	38.5	69	2.50	1.45	36.7
Unionsuits, cotton-knit	.98	99	.66	.32	32.7	54	.70	.28	28.6
Unionsuits, cotton-knit	1.25	105	.80	.45	36.0	105	.83	.42	33.6
Unionsuits, cotton-knit	1.50	130	.91	.59	39.3	96	.93	.57	38.0
Unionsuits, cotton-knit	2.00	41	1.14	.86	43.0	79	1.17	.83	41.5
Undershirts, cotton-knit	.35	150	.22	.13	37.1	179	.22	.13	37.1
Socks, dress and sport	.25	358	.16	.09	36.0	199	.17	.08	32.0
Socks, dress and sport	.35	228	.21	.14	40.0	218	.22	.13	37.1
Socks, dress and sport	1.00	222	.63	.37	37.0	131	.64	.36	36.0
Socks, work	.15	231	.10	.05	33.3	269	.10	.05	33.3
Socks, work	.25	151	.16	.09	36.0	124	.16	.09	36.0
Neckties	1.00	645	.60	.40	40.0	650	.60	.40	40.0
Hats	5.00	310	2.97	2.03	40.6	275	3.01	1.99	39.8
Robes	5.95	117	3.65	2.30	38.7	62	3.70	2.25	37.8
Gloves, work, cotton	.15	170	.10	.05	33.3	115	.11	.04	26.7
Gloves, work, cotton	.25	98	.17	.08	32.0	116	.18	.07	28.0
Boys' clothing and furnishings:									
Suits, wool	12.95	46	7.58	5.37	41.5	50	7.68	5.27	40.7
Wash suits	1.98	50	1.26	.72	36.4	49	1.29	.69	34.8
Topcoats	10.95	27	6.45	4.50	41.1	30	6.45	4.50	41.1

Continued -

Table 23.- Average retail price, cost, and margin for popular price lines of clothing and household goods, United States, September 1941 and 1942 1/ - Continued

Item	Retail price line	1941 Stores reported	1941 Average cost 2/	1941 Retail margin Actual	1941 Retail margin Proportion of retail price	1942 Stores reported	1942 Average cost 2/	1942 Retail margin Actual	1942 Retail margin Proportion of retail price
	Dollars	Number	Dollars	Dollars	Percent	Number	Dollars	Dollars	Percent
Boys' clothing and furnishings:									
Overcoats	12.95	20	7.60	5.35	41.3	19	7.67	5.28	40.8
Unionsuits, cotton-knit	.79	91	.49	.30	38.0	102	.51	.28	35.4
Pants and slacks, wash	1.98	46	1.25	.73	36.9	59	1.28	.70	35.4
Pants and slacks, wool	1.98	73	1.32	.66	33.3	40	1.32	.66	33.3
Pants and slacks, wool	2.98	100	1.86	1.12	37.6	104	1.89	1.09	36.6
Pants and slickers, corduroy	1.98	64	1.30	.68	34.3	62	1.34	.64	32.3
Pants and slickers, corduroy	2.98	92	1.86	1.12	37.6	111	1.95	1.03	34.6

1/ The data were obtained by a survey covering about 2,600 retail stores in about 150 cities distributed throughout the United States. The information was obtained through personal interviews.

2/ The data on costs do not include freight and other transportation charges. Any cash discounts allowed were not deducted from costs regardless of whether the buyer took advantage of the discount by making payment within the allotted time.

Primary data collected by the Bureau of Labor Statistics for the Office of Price Administration and made available by the latter agency for use only as industry summaries.

Table 24.- Frequency distributions of retail margins for popular price lines of clothing and household goods, United States, 1941 and 1942

Margin (percent of retail price)	Cotton yard goods 29 cents		Bath towels 29 cents		Bedspreads $3.98		Women's $1.98 cotton dresses		Women's $10.95 dresses		Juniors' $3.98 cotton dresses	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
48.0 and over	1.8	0	3.1	1.1	3.8	0	0	0	3.2	4.5	1.6	1.2
45.0 to 47.9	0	0	0	0	0	0	0.8	0.7	6.0	5.2	1.6	0
42.0 to 44.9	13.9	0	1.5	0	7.7	1.5	1.6	1.5	1.4	0	3.1	1.2
39.0 to 41.9	4.9	2.2	14.5	5.4	5.8	3.0	2.4	2.2	.4	4.5	0	0
36.0 to 38.9	41.2	11.3	8.4	16.3	30.8	31.9	4.1	5.9	82.6	84.3	81.2	83.9
33.0 to 35.9	12.7	12.8	48.8	39.1	40.4	50.0	61.9	39.7	0	0	3.1	6.3
30.0 to 32.9	15.2	39.1	9.9	22.8	7.7	10.6	26.0	47.8	2.8	0	1.6	1.2
27.0 to 29.9	3.6	12.0	10.7	9.8	0	0	2.4	2.2	.4	1.1	6.2	3.8
24.0 to 26.9	6.1	17.3	2.3	2.2	1.9	1.5	.8	0	0	0	1.6	1.2
21.0 to 23.9	0	0	0	0	0	0	0	0	3.2	.4	0	0
Under 21.0	.6	5.3	.8	3.3	1.9	1.5	0	0	0	0	0	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Margin (percent of retail price)	Infants' $1.19 dresses		Cotton-knit $1.25 union suits		Cotton-knit 35-cent undershirts		Men's work socks 15 cents		Aprons 39 cents		Boys' 79-cent union suits	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
48.0 and over	0	0	2.9	0	8.7	1.7	5.2	1.9	5.7	1.8	11.0	2.9
45.0 to 47.9	3.0	1.3	1.0	0	10.6	16.2	18.2	8.5	8.6	1.2	5.5	2.0
42.0 to 44.9	28.3	19.7	7.6	4.8	10.0	6.7	0	0	1.0	2.4	6.6	2.9
39.0 to 41.9	23.9	6.6	25.7	27.6	16.0	16.8	11.3	12.3	18.1	12.8	19.8	20.6
36.0 to 38.9	29.8	23.7	15.2	8.6	17.3	16.8	0	0	8.6	12.8	17.5	16.7
33.0 to 35.9	7.5	38.2	21.9	10.4	20.0	18.4	51.0	62.4	36.1	47.3	7.7	22.5
30.0 to 32.9	3.0	6.6	11.4	24.7	4.0	5.6	0	0	18.0	13.9	19.8	11.8
27.0 to 29.9	0	0	7.6	12.4	8.7	10.6	0	0	1.0	3.6	7.7	11.8
24.0 to 26.9	4.5	3.9	1.9	2.9	2.0	5.0	10.4	10.8	2.9	3.6	2.2	5.9
21.0 to 23.9	0	0	0	2.9	2.0	1.1	0	0	0	0	2.2	2.9
Under 21.0	0	0	4.8	5.7	.7	1.1	3.9	4.1	0	.6	0	0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Primary data collected by the Bureau of Labor Statistics and made available by the Office of Price Administration for use only as industry summaries.

shirts, and men's work socks amounted to 45 percent or more of the retail price. These data on variations in margins contribute to an understanding of the averages shown in table 23, p. 51.

Salaries and wages were the most important items included in retail margins for textile products, or the spread between the costs of the goods sold and prices to consumers. Census reports show that in 1939 wage costs to retailers made up 13.4 percent of total sales for retailers of dry goods and general merchandise and 16.2 percent for the apparel group taken as a whole. The proportions of labor costs for specific kinds of apparel stores were as follows: 16.3 percent for men's furnishings, 15.2 percent for men's clothing and furnishings, 16 percent for family clothing stores, 15.5 percent for women's ready-to-wear stores, 21.1 percent for furriers or fur shops, 22 percent for millinery stores, 36.4 percent for custom tailors, and 17.4 percent for accessories and other apparel stores. Other items of cost included in retail margins were not shown by the 1939 Census reports (17).

Data relating to operating costs in 1939 for 1,722 retailers who were handling textile and related products show that salaries and wages were the largest items of costs included in retailers' margins (table 25) (12). Salaries of owners and officers amounted on the average to 9.1 percent of total sales and to 30 percent of retailers' margins. Salaries and wages combined averaged 16.1 percent of net sales and 52.3 percent of retailers' margins. The proportions varied considerably from one kind of store to another. Salaries ranged from 8.2 percent of net sales for dry-goods and general merchandise stores to 17.3 percent for custom tailors and wages ranged from 6.4 percent of net sales for men's furnishings stores to 26.8 percent for custom tailors.

The proportion of net sales accounted for by occupancy averaged 4.7 percent and ranged from 3.9 percent for dry goods and general merchandise stores to 8.3 percent for men's furnishings. Advertising costs averaged 1.3 percent of net sales and ranged from 1 percent for lingerie, hosiery, millinery, and accessory stores to 2.5 percent for furriers. Losses through bad debts averaged 0.5 percent of net sales and ranged from 0.2 percent for lingerie, hosiery, millinery, and accessory stores to 0.9 percent for custom tailors. All other expenses averaged 5.3 percent of net sales and ranged from 3.9 percent for lingerie, hosiery, millinery, and accessory stores, to 9.7 percent for furriers. Profits amounted on the average to 2.9 percent of net sales and ranged from 1 percent for men's furnishings to 5.6 percent for furriers.

Data on specific kinds of retail stores, grouped on the basis of the population of the towns or cities in which they are located and on the basis of the annual volume of sales, show no consistent relationship between retailers' gross margins and volume of sales (table 26). Occupancy expenses usually represented a smaller proportion of total sales for stores with large volumes of sales than for those with smaller volumes, but the proportions for wages and salaries, other expenses, and profits varied irregularly with volume of sales. Gross margins for stores located in the larger cities and towns accounted, on the average, for larger proportions of the total sales than those for stores operated in the smaller cities and towns.

Table 25.- Costs, margins, and profits for retailers expressed as proportions of net sales by kind of store, United States, 1939

Item	Dry goods & general merchandise	Family clothing	Women's ready-to-wear	Lingerie, hosiery, millinery and accessory	Men's clothing	Men's furnishings	Custom tailors	Furs	All
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Costs of goods sold	71.9	69.4	69.5	64.2	68.2	65.8	36.8	49.8	69.2
Gross margin	28.1	30.6	30.5	35.8	31.8	34.2	63.2	50.2	30.8
Salaries, owners and officers	8.2	8.4	9.2	12.6	9.6	11.3	17.3	14.4	9.1
Wages, all other employees	6.7	6.9	7.0	6.8	6.5	6.4	26.8	10.5	7.0
Occupancy expense	3.9	4.7	5.3	8.0	4.5	8.3	8.0	6.9	4.7
Advertising	1.1	1.3	1.2	1.0	1.5	1.2	1.6	2.5	1.3
Bad debt losses	.5	.6	.4	.2	.6	.5	.9	.6	.5
All other expenses	4.7	5.4	5.6	3.9	5.6	5.5	7.3	9.7	5.3
Profits	3.0	3.3	1.8	3.3	3.5	1.0	1.3	5.6	2.9
Concerns reporting (number)	564	298	333	75	320	75	25	32	1,722
Net sales (million dollars)	22.7	12.4	10.5	.9	14.5	2.3	.6	1.2	65.1
Percent profitable	69	70	59	69	73	61	64	72	68

Abstracted from Standard Ratios for Retailing--Guides to Efficiency and Profits in Fifty Trades (12).

Table 26.- Number of stores, costs of goods sold, and proportion of net sales accounted for by expenses and profits, for retailers, by kind of store, volume of sales, and population of town or city in which they were operated, United States, 1939

Towns with less than 20,000 population

Kind of store and annual volume of sales	Concerns reported	Cost of goods sold	Proportion of net sales accounted for by - Total expense	Wages and salaries	Occupancy expense	Other expense	Profits or loss (-)
	Number	Percent	Percent	Percent	Percent	Percent	Percent
Dry goods and general merchandise stores:							
$100,000 to $300,000	34	70.6	29.0	16.3	3.3	9.4	0.4
$50,000 to $100,000	57	72.4	25.0	14.0	3.6	7.4	2.6
$30,000 to $50,000	91	74.5	22.5	13.4	3.3	6.0	2.8
$20,000 to $30,000	86	73.9	23.2	13.8	3.1	6.3	2.9
$10,000 to $20,000	104	72.6	24.4	15.9	4.0	4.5	3.0
Less than $10,000	54	72.0	22.4	13.4	5.4	3.6	5.6
Family clothing:							
$50,000 to $300,000	36	69.4	25.6	14.0	3.2	8.4	5.0
$30,000 to $50,000	47	69.7	26.2	14.6	2.9	8.7	4.1
$20,000 to $30,000	38	69.8	27.1	15.1	5.0	7.0	3.1
$10,000 to $20,000	50	70.0	26.0	15.2	4.6	6.2	4.0
Less than $10,000	26	70.6	26.2	12.7	7.2	6.3	3.2
Women's ready-to-wear shops:							
$30,000 to $50,000	31	72.5	26.7	14.7	4.7	7.3	0.8
$20,000 to $30,000	43	71.0	27.6	14.3	4.2	9.1	1.4
$10,000 to $20,000	60	70.2	26.3	15.6	5.0	5.7	3.5
Less than $10,000	60	72.2	27.2	14.0	7.8	5.4	.6
Men's clothing:							
$50,000 to $300,000	33	69.1	27.6	15.9	3.0	8.7	3.3
$30,000 to $50,000	46	67.9	27.6	14.2	3.3	10.1	4.5
$20,000 to $30,000	50	69.4	27.0	15.7	4.2	7.1	3.6
$10,000 to $20,000	52	69.6	25.8	15.2	4.5	6.1	4.6
Less than $10,000	22	66.7	33.8	20.3	5.8	7.7	- .5

Continued -

Table 25.- Costs, margins, and profits for retailers expressed as proportions of net sales by kind of store, United States, 1939

Item	Dry goods & general merchandise	Family clothing	Women's ready-to-wear	Lingerie, hosiery, millinery and accessory	Men's clothing	Men's furnishings	Custom tailors	Furs	All
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Net sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Costs of goods sold	71.9	69.4	69.5	64.2	68.2	65.8	36.8	49.8	69.2
Gross margin	28.1	30.6	30.5	35.8	31.8	34.2	63.2	50.2	30.8
Salaries, owners and officers	8.2	8.4	9.2	12.6	9.6	11.3	17.3	14.4	9.1
Wages, all other employees	6.7	6.9	7.0	6.8	6.5	6.4	26.8	10.5	7.0
Occupancy expense	3.9	4.7	5.3	8.0	4.5	8.3	8.0	6.9	4.7
Advertising	1.1	1.3	1.2	1.0	1.5	1.2	1.6	2.5	1.3
Bad debt losses	.5	.6	.4	.2	.6	.5	.9	.6	.5
All other expenses	4.7	5.4	5.6	3.9	5.6	5.5	7.3	9.7	5.3
Profits	3.0	3.3	1.8	3.3	3.5	1.0	1.3	5.6	2.9
Concerns reporting (number)	564	298	333	75	320	75	25	32	1,722
Net sales (million dollars)	22.7	12.4	10.5	.9	14.5	2.3	.6	1.2	65.1
Percent profitable	69	70	59	69	73	61	64	72	68

Abstracted from Standard Ratios for Retailing--Guides to Efficiency and Profits in Fifty Trades (12).

Table 26.- Number of stores, costs of goods sold, and proportion of net sales accounted for by expenses and profits, for retailers, by kind of store, volume of sales, and population of town or city in which they were operated, United States, 1939

Towns with less than 20,000 population

Kind of store and annual volume of sales	Concerns reported	Cost of goods sold	Proportion of net sales accounted for by -				
			Total expense	Wages and salaries	Occupancy expense	Other expense	Profits or loss (-)
	Number	Percent	Percent	Percent	Percent	Percent	Percent
Dry goods and general merchandise stores:							
$100,000 to $300,000	34	70.6	29.0	16.3	3.3	9.4	0.4
$50,000 to $100,000	57	72.4	25.0	14.0	3.6	7.4	2.6
$30,000 to $50,000	91	74.5	22.5	13.4	3.3	6.0	2.8
$20,000 to $30,000	86	73.9	23.2	13.8	3.1	6.3	2.9
$10,000 to $20,000	104	72.6	24.4	15.9	4.0	4.5	3.0
Less than $10,000	54	72.0	22.4	13.4	5.4	3.6	5.6
Family clothing:							
$50,000 to $300,000	36	69.4	25.6	14.0	3.2	8.4	5.0
$30,000 to $50,000	47	69.7	26.2	14.6	2.9	8.7	4.1
$20,000 to $30,000	38	69.8	27.1	15.1	5.0	7.0	3.1
$10,000 to $20,000	50	70.0	26.0	15.2	4.6	6.2	4.0
Less than $10,000	26	70.6	26.2	12.7	7.2	6.3	3.2
Women's ready-to-wear shops:							
$30,000 to $50,000	31	72.5	26.7	14.7	4.7	7.3	0.8
$20,000 to $30,000	43	71.0	27.6	14.3	4.2	9.1	1.4
$10,000 to $20,000	60	70.2	26.3	15.6	5.0	5.7	3.5
Less than $10,000	60	72.2	27.2	14.0	7.8	5.4	.6
Men's clothing:							
$50,000 to $300,000	33	69.1	27.6	15.9	3.0	8.7	3.3
$30,000 to $50,000	46	67.9	27.6	14.2	3.3	10.1	4.5
$20,000 to $30,000	50	69.4	27.0	15.7	4.2	7.1	3.6
$10,000 to $20,000	52	69.6	25.8	15.2	4.5	6.1	4.6
Less than $10,000	22	66.7	33.8	20.3	5.8	7.7	- .5

Continued -

INTENTIONAL SECOND EXPOSURE

Table 26.- Number of stores, costs of goods sold, and proportion of net sales accounted for by expenses and profits, for retailers, by kind of store, volume of sales, and population of town or city in which they were operated, United States, 1939

Cities with 20,000 to 100,000 population

Kind of store and annual volume of sales	Concerns reported	Cost of goods sold	Proportion of net sales accounted for by -				
			Total expense	Wages and salaries	Occupancy expense	Other expense	Profits or loss (-)
	Number	Percent	Percent	Percent	Percent	Percent	Percent
Dry goods and general merchandise stores:							
$50,000 to $300,000	14	69.0	28.3	14.9	5.2	8.2	2.7
$20,000 to $50,000	17	68.4	25.9	14.5	5.4	6.0	5.7
Less than $20,000	15	70.7	25.0	15.0	5.8	4.2	4.3
Family clothing:							
$50,000 to $300,000	16	68.6	30.1	15.7	4.7	9.7	1.3
$20,000 to $50,000	16	67.6	27.8	14.5	5.6	7.7	4.6
Women's ready-to-wear shops:							
$30,000 to $300,000	21	68.9	31.5	16.9	4.8	9.8	-0.4
Less than $30,000	19	67.2	32.5	18.3	5.9	8.3	.3
Men's clothing:							
$50,000 to $300,000	22	66.3	29.7	15.1	5.4	9.2	4.0
$20,000 to $50,000	25	66.3	30.0	16.6	5.4	8.0	3.7
Less than $20,000	13	65.8	29.1	16.3	6.0	6.8	5.1

Continued -

Table 26.- Number of stores, costs of goods sold, and proportion of net sales accounted for by expenses and profits, for retailers, by kind of store, volume of sales, and population of town or city in which they were operated, United States, 1939

Cities with 100,000 population and over

Kind of store and annual volume of sales	Concerns reported	Cost of goods sold	Proportion of net sales accounted for by -				
			Total expense	Wages and salaries	Occupancy expense	Other expense	Profits or loss (-)
	Number	Percent	Percent	Percent	Percent	Percent	Percent
Dry goods and general merchandise stores:							
$50,000 to $300,000	20	67.9	27.9	15.7	4.1	8.1	4.2
$20,000 to $50,000	34	68.5	27.5	14.9	5.5	7.1	4.0
Less than $20,000	38	66.9	31.2	18.0	7.8	5.4	1.9
Family clothing:							
$50,000 to $300,000	16	69.5	27.5	13.0	4.4	10.1	3.0
$20,000 to $50,000	18	66.7	27.6	15.8	5.0	6.8	5.7
Less than $20,000	23	70.1	25.8	11.6	8.6	5.6	4.1
Women's ready-to-wear shops:							
$50,000 to $300,000	12	65.9	31.2	16.0	6.4	8.8	2.9
$20,000 to $50,000	30	66.9	31.3	17.2	5.7	8.4	1.8
Less than $20,000	35	63.8	32.2	18.5	8.4	5.3	4.0
Men's clothing:							
$50,000 to $300,000	19	65.1	32.6	17.1	5.2	10.3	2.3
$20,000 to $50,000	22	69.0	29.3	17.0	5.2	7.1	1.7
Less than $20,000	12	66.5	26.2	15.3	6.5	4.4	7.3

Abstracted from or based on Standard Ratios for Retailing - Guides to Efficiency and Profits in Fifty Trades by Mitchell, W. L., Jr.

Data on costs, margins, and profits for retailers expressed as proportions of net sales show that in 1939 total expenses of retailers increased with increases in the proportion of the products sold on credit (table 27) (12). For the various kinds of stores combined, total expenses of retailers increased from 25.7 percent of net sales for stores that sold 90 percent or more of the products for cash to 30.6 percent for stores that sold 50 percent or more of the products on open credit. The proportions for salaries and occupancy expenses varied irregularly but the proportions for wages, losses through bad debts, advertising, and all other expenses showed fairly consistent increases with increases in proportions of the goods sold on credit.

Average profits of retailers that handle textile products have increased considerably in recent years, but most of the increases apparently were offset by increases in income taxes. For retailers of apparel and accessories, profits before income tax increased from an average of 4.1 percent of net sales for the period 1936-39 to 9.9 percent in 1944; but, profits after income tax increased from an average of 3.3 percent of net sales during the period 1936-39 to 3.9 percent in 1941 and then declined to 3.1 percent in 1942 (table 28). 12/ For general merchandise stores (including department stores, limited-price variety stores, and mail-order houses) profits before income tax increased from an average of 6.1 percent of net sales during the period 1936-39 to 10.5 percent in 1944, but profits after income tax decreased from an average of 5.1 percent for the period 1936-39 to 3.5 percent in 1944. Profits of limited-price variety stores and of mail-order houses averaged somewhat greater than those for department stores but the trends were in general about the same for each group.

Profits to retailers of textiles constituted much larger proportions of net worth (the sum of common and preferred stocks, surplus, and surplus reserves) than of net sales (table 28). For retailers of apparel and accessories, profits before income tax increased from an average of 12.8 percent of net worth for the period 1936-39 to 40.1 percent in 1943. These profits after income tax increased from 10.3 percent of net worth in 1936-39 to 13.4 percent in 1943. For general merchandise stores, these profits before income tax increased from an average of 13.3 percent of net worth for the period 1936-39 to 31.0 percent in 1944, but profits after income tax decreased from an average of 10.9 percent of net worth in 1936-39 to 10.1 percent in 1943. The influence of increases in profits after income tax for department stores, on the average for general merchandise stores, was more than offset by the influence of corresponding decreases in profits for limited price variety stores and for mail-order houses.

12/ United States Office of Price Administration. Corporate Profits. Part I, 1936-42, War Profits Study 10. 170 pp., illus. 1945. (Processed.) Part II, 1943, War Profits Study 11. 90 pp., illus. 1945. (Processed.) Part III, 1944, War Profits Study 12. 59 pp., illus. 1945. (Processed.) The basic data in this report are from Moody's Industrials, New York. (Semiweekly); Standard and Poor's Corporation Records; and Office of Price Administration Financial Reports.

Table 27.- Costs, margins, and profits for retailers expressed as proportions of net sales, by kind of store and credit policy, United States, 1939

Kind of store and credit policy	Median net sale of goods sold per store	Proportion of net sales represented by -							
		Cost of goods sold	Total expenses	Salaries	Wages	Occupancy expense	Advertising	Bad debt losses	All other expenses	Net profits or loss(-)
	Dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Family clothing:										
90 percent or more for cash	19,900	70.4	25.3	9.1	5.6	5.4	1.0	0.3	3.9	4.3
20 to 50 percent on open credit	33,850	69.8	26.8	7.7	7.0	3.4	1.5	.6	6.6	3.4
50 percent or more on open credit	40,500	68.5	28.6	8.4	8.5	3.6	1.0	1.0	6.1	2.9
Women's ready-to-wear:										
90 percent or more for cash	15,500	68.4	27.5	10.2	5.7	6.1	1.1	.4	4.0	4.1
20 to 50 percent on open credit	23,000	71.4	27.1	8.7	7.0	4.8	1.3	.4	4.9	1.5
50 percent or more on open credit	28,450	68.4	32.4	8.2	9.3	4.6	1.4	.4	8.5	-.8
Men's clothing:										
90 percent or more for cash	20,400	69.1	26.6	10.4	5.0	5.2	1.3	.3	4.4	4.3
20 to 50 percent on open credit	33,400	67.8	28.6	10.4	5.8	4.2	1.8	.6	5.8	3.6
50 percent or more on open credit	42,600	66.1	30.9	8.7	8.2	4.2	1.9	.6	7.3	3.0
Dry goods and general merchandise:										
90 percent or more for cash	22,300	71.9	23.8	8.6	6.2	4.0	1.0	.3	3.7	4.3
20 to 50 percent on open credit	32,200	72.4	26.3	7.5	8.0	3.6	1.5	.4	5.3	1.3
Men's furnishings:										
90 percent or more for cash	18,600	65.6	33.7	11.9	6.2	9.2	.8	.3	5.3	.7
50 percent or more on open credit	27,650	65.6	31.1	10.3	6.7	5.1	1.6	.6	6.8	3.3
Weighted average for all: 1/										
90 percent or more for cash	20,101	70.1	25.8	9.5	5.7	5.1	1.1	.3	4.1	4.1
20 to 50 percent on open credit	31,223	70.6	27.1	8.5	7.1	3.9	1.5	.5	5.6	2.3
50 percent or more on open credit	37,336	67.4	30.6	8.6	8.5	4.2	1.5	.7	7.1	2.0

1/ Data for each kind of store were weighted by aggregate net sales reported for these stores.

Abstracted from Standard Ratios for Retailers - Guides to Efficiency and Profits in Fifty Trades, by Walter L. Mitchell, Jr., Research and Statistical Division, Dun and Bradstreet, Inc. (1941).

INTENTIONAL SECOND EXPOSURE

Data on costs, margins, and profits for retailers expressed as proportions of net sales show that in 1939 total expenses of retailers increased with increases in the proportion of the products sold on credit (table 27) (12). For the various kinds of stores combined, total expenses of retailers increased from 25.7 percent of net sales for stores that sold 90 percent or more of the products for cash to 30.6 percent for stores that sold 50 percent or more of the products on open credit. The proportions for salaries and occupancy expenses varied irregularly but the proportions for wages, losses through bad debts, advertising, and all other expenses showed fairly consistent increases with increases in proportions of the goods sold on credit.

Average profits of retailers that handle textile products have increased considerably in recent years, but most of the increases apparently were offset by increases in income taxes. For retailers of apparel and accessories, profits before income tax increased from an average of 4.1 percent of net sales for the period 1936-39 to 9.9 percent in 1944; but, profits after income tax increased from an average of 3.3 percent of net sales during the period 1936-39 to 3.9 percent in 1941 and then declined to 3.1 percent in 1942 (table 28). 12/ For general merchandise stores (including department stores, limited-price variety stores, and mail-order houses) profits before income tax increased from an average of 6.1 percent of net sales during the period 1936-39 to 10.5 percent in 1944, but profits after income tax decreased from an average of 5.1 percent for the period 1936-39 to 3.5 percent in 1944. Profits of limited-price variety stores and of mail-order houses averaged somewhat greater than those for department stores but the trends were in general about the same for each group.

Profits to retailers of textiles constituted much larger proportions of net worth (the sum of common and preferred stocks, surplus, and surplus reserves) than of net sales (table 28). For retailers of apparel and accessories, profits before income tax increased from an average of 12.8 percent of net worth for the period 1936-39 to 40.1 percent in 1943. These profits after income tax increased from 10.3 percent of net worth in 1936-39 to 13.4 percent in 1943. For general merchandise stores, these profits before income tax increased from an average of 13.3 percent of net worth for the period 1936-39 to 31.0 percent in 1944, but profits after income tax decreased from an average of 10.9 percent of net worth in 1936-39 to 10.1 percent in 1943. The influence of increases in profits after income tax for department stores, on the average for general merchandise stores, was more than offset by the influence of corresponding decreases in profits for limited price variety stores and for mail-order houses.

12/ United States Office of Price Administration. Corporate Profits. Part I, 1936-42, War Profits Study 10. 170 pp., illus. 1945. (Processed.) Part II, 1943, War Profits Study 11. 90 pp., illus. 1945. (Processed.) Part III, 1944, War Profits Study 12. 59 pp., illus. 1945. (Processed.) The basic data in this report are from Moody's Industrials, New York. (Semiweekly); Standard and Poor's Corporation Records; and Office of Price Administration Financial Reports.

Table 27.- Costs, margins, and profits for retailers expressed as proportions of net sales, by kind of store and credit policy, United States, 1939

Kind of store and credit policy	Median net sale per store sold	Cost of goods sold	Total expenses	Proportion of net sales represented by - Salaries	Wages	Occupancy expense	Advertising	Bad debt losses	All other expenses	Net profits or loss(-)
	Dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Family clothing:										
90 percent or more for cash	19,900	70.4	25.3	9.1	5.6	5.4	1.0	0.3	3.9	4.3
20 to 50 percent on open credit	33,850	69.8	26.8	7.7	7.0	3.4	1.5	.6	6.6	3.4
50 percent or more on open credit	40,500	68.5	28.6	8.4	8.5	3.6	1.0	1.0	6.1	2.9
Women's ready-to-wear:										
90 percent or more for cash	15,500	68.4	27.5	10.2	5.7	6.1	1.1	.4	4.0	4.1
20 to 50 percent on open credit	23,000	71.4	27.1	8.7	7.0	4.8	1.3	.4	4.9	1.5
50 percent or more on open credit	28,450	68.4	32.4	8.2	9.3	4.6	1.4	.4	8.5	-.8
Men's clothing:										
90 percent or more for cash	20,400	69.1	26.6	10.4	5.0	5.2	1.3	.3	4.4	4.3
20 to 50 percent on open credit	33,400	67.8	28.6	10.4	5.8	4.2	1.8	.6	5.8	3.6
50 percent or more on open credit	42,600	66.1	30.9	8.7	8.2	4.2	1.9	.6	7.3	3.0
Dry goods and general merchandise:										
90 percent or more for cash	22,300	71.9	23.8	8.6	6.2	4.0	1.0	.3	3.7	4.3
20 to 50 percent on open credit	32,200	72.4	26.3	7.5	8.0	3.6	1.5	.4	5.3	1.3
Men's furnishings:										
90 percent or more for cash	18,600	65.6	33.7	11.9	6.2	9.2	.8	.3	5.3	.7
50 percent or more on open credit	27,650	65.6	31.1	10.3	6.7	5.1	1.6	.6	6.8	3.3
Weighted average for all: 1/										
90 percent or more for cash	20,101	70.1	25.8	9.5	5.7	5.1	1.1	.3	4.1	4.1
20 to 50 percent on open credit	31,223	70.6	27.1	8.5	7.1	3.9	1.5	.5	5.6	2.3
50 percent or more on open credit	37,336	67.4	30.6	8.6	8.5	4.2	1.5	.7	7.1	2.0

1/ Data for each kind of store were weighted by aggregate net sales reported for these stores.

Abstracted from Standard Ratios for Retailers - Guides to Efficiency and Profits in Fifty Trades, by Walter L. Mitchell, Jr., Research and Statistical Division, Dun and Bradstreet, Inc. (1941).

Table 28.- Average profits of retailers of textiles as proportion of net sales and of net worth, United States, average 1936-39 annual 1939-44 1/

Kind of product	Average 1936-39	1939	1940	1941	1942	1943	1944
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Profits before income tax as proportion of net sales							
Apparel and accessories	4.1	4.1	4.7	7.2	8.5	9.8	9.9
General merchandise	6.1	6.3	6.6	8.5	9.7	9.6	10.5
Department stores	4.3	4.6	5.3	7.1	9.1	10.3	10.9
Limited price variety stores	8.4	7.9	7.6	9.6	10.5	10.5	11.5
Mail-order houses	6.7	7.2	7.4	9.2	9.7	7.9	9.2
Profits after income tax as proportion of net sales							
Apparel and accessories	3.3	3.3	3.3	3.9	3.1	3.3	3.2
General merchandise	5.1	5.2	4.7	4.3	3.7	3.6	3.5
Department stores	3.6	3.8	4.0	3.8	3.3	3.3	3.2
Limited price variety stores	7.1	6.7	5.7	5.6	4.4	4.2	4.0
Mail-order houses	5.3	5.6	4.7	4.1	3.8	3.5	3.4
Profits before income tax as proportion of net worth 2/							
Apparel and accessories	12.8	12.9	15.3	27.0	35.0	40.1	39.8
General merchandise	13.3	13.8	15.0	22.3	26.7	26.6	31.0
Department stores	10.1	10.8	12.9	19.8	28.6	35.7	39.5
Limited price variety stores	15.1	14.2	13.9	19.9	24.6	24.9	28.5
Mail-order houses	15.3	17.2	18.5	27.5	26.6	19.7	24.9
Profits after income tax as proportion of net worth 2/							
Apparel and accessories	10.3	10.5	10.7	14.7	12.8	13.4	12.9
General merchandise	10.9	11.3	10.6	11.4	10.3	10.1	10.2
Department stores	8.3	8.8	9.7	10.6	10.3	11.6	11.6
Limited price variety stores	12.8	12.0	10.6	11.6	10.4	10.0	9.8
Mail-order houses	12.2	13.5	11.7	12.2	10.3	8.8	9.1

1/ Calculations are based on profits before minority interest and contingency reserves, but renegotiation reserves were allowed as an expense and deducted from profits in every case where the amount set aside was shown as a current liability. Net sales of the 20 companies reported for apparel and accessories totaled $225,438,000 in 1939 or about 7 percent to total sales of apparel reported by the Census of Business in 1939. Net sales for the 60 companies reported for general merchandise totaled $3,260,423,000 in 1939 or about 57 percent of the sales reported in the general merchandise group by the Census of Business.
2/ Net worth is the sum of common and preferred stocks, surplus, and surplus reserves. The return has been calculated on the average of net worth at the beginning and end of each year.

Adapted from United States Office of Price Administration. Corporate Profits. Part I--1936-42, War Profits Study 10. 170 pp., illus. 1945. (Processed.) Part II--1943, War Profits Study 11. 90 pp., illus. 1945. (Processed.) Part III--1944, War Profits Study 12. 59 pp., illus. 1945. (Processed.) The basic data in this report are from Moody's Industrials, New York. (Semiweekly); Standard and Poor's Corporation Records; and Office of Price Administration Financial Reports.

Median profits, after Federal income and excess-profits taxes, as proportions of net sales and of net worth for department stores and other retailers of apparel increased considerably from 1939 to 1943 (table 29) (4). A simple average of these proportions shows an increase from about 2.2 percent of net sales in 1939 to almost 3.8 percent in 1943 and an average of 3.3 percent during the 5 years 1939-43. Similar averages of median profits as proportions of net worth increased from 5.4 percent in 1939 to almost 13 percent in 1943 and averaged 9.5 percent during the 5-year period.

Means and Importance of Increasing Efficiency, Reducing Costs, and Expanding Outlets

During the war and the immediate postwar period, market outlets have been more than adequate to absorb all cotton products that could be produced. But for many years before the war, the American cotton industry was handicapped by inability to sell all the products that could be manufactured. After the immediate postwar needs have been met, inadequate market outlets for cotton products are likely to limit the American cotton industry decidedly unless prompt and effective actions are taken to exploit fully all potential market outlets. Prospective demands for textiles indicate the possibility of maintaining cotton consumption considerably above prewar levels, if determined efforts are made to produce and distribute attractive cotton products at prices within reach of the mass of the consuming population (9).

Means of Increasing Efficiency, Reducing Costs, and Expanding Outlets.- Effective plans for fully exploiting potential market outlets for cotton products would require, in addition to suitable fabrics, finishes, and styling, timely adjustments in manufacturing and distribution to consumer requirements, the education of consumers regarding the quality and adaptability of the various products, and increased efficiency in the entire chain of manufacturing and distribution processes so that suitable products would be made readily available to informed consumers at attractive prices.

Timely adjustments in the kinds, quantities, and qualities of cotton products manufactured and distributed in accordance with trends in consumer demands would tend to expand market outlets by making readily available to consumers the kinds of goods desired. Such adjustments would require improved contacts between manufacturers, distributors, and consumers as a basis for assembling and distributing the information needed. Considerable information regarding consumer demands for cotton products is already being assembled and distributed by selling agents, converters, merchandise buyers, and styling organizations. In addition, statistical and informational services of trade associations have contributed in many ways to improvements in basic information. Other avenues through which the primary manufacturers' contacts with consumer outlets may be improved are suggested by the increasing activity of large merchandising organizations in exploring the manufacturing field for new products or better lines of existing products that can be profitably exploited (9).

INTENTIONAL SECOND EXPOSURE

Table 28.- Average profits of retailers of textiles as proportion of net sales and of net worth, United States, average 1936-39 annual 1939-44 1/

Kind of product	Average 1936-39	1939	1940	1941	1942	1943	1944
	Profits before income tax as proportion of net sales						
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Apparel and accessories	4.1	4.1	4.7	7.2	8.5	9.8	9.9
General merchandise	6.1	6.3	6.6	8.5	9.7	9.6	10.5
Department stores	4.3	4.6	5.3	7.1	9.1	10.3	10.9
Limited price variety stores	8.4	7.9	7.6	9.6	10.5	10.5	11.5
Mail-order houses	6.7	7.2	7.4	9.2	9.7	7.9	9.2
	Profits after income tax as proportion of net sales						
Apparel and accessories	3.3	3.3	3.3	3.9	3.1	3.3	3.2
General merchandise	5.1	5.2	4.7	4.3	3.7	3.6	3.5
Department stores	3.6	3.8	4.0	3.8	3.3	3.3	3.2
Limited price variety stores	7.1	6.7	5.7	5.6	4.4	4.2	4.0
Mail-order houses	5.3	5.6	4.7	4.1	3.8	3.5	3.4
	Profits before income tax as proportion of net worth 2/						
Apparel and accessories	12.8	12.9	15.3	27.0	35.0	40.1	39.8
General merchandise	13.3	13.8	15.0	22.3	26.7	26.6	31.0
Department stores	10.1	10.8	12.9	19.8	28.6	35.7	39.5
Limited price variety stores	15.1	14.2	13.9	19.9	24.6	24.9	28.5
Mail-order houses	15.3	17.2	18.5	27.5	26.6	19.7	24.9
	Profits after income tax as proportion of net worth 2/						
Apparel and accessories	10.3	10.5	10.7	14.7	12.8	13.4	12.9
General merchandise	10.9	11.3	10.6	11.4	10.3	10.1	10.2
Department stores	8.3	8.8	9.7	10.6	10.3	11.6	11.6
Limited price variety stores	12.8	12.0	10.6	11.6	10.4	10.0	9.8
Mail-order houses	12.2	13.5	11.7	12.2	10.3	8.8	9.1

1/ Calculations are based on profits before minority interest and contingency reserves, but renegotiation reserves were allowed as an expense and deducted from profits in every case where the amount set aside was shown as a current liability. Net sales of the 20 companies reported for apparel and accessories totaled $225,438,000 in 1939 or about 7 percent to total sales of apparel reported by the Census of Business in 1939. Net sales for the 60 companies reported for general merchandise totaled $3,260,423,000 in 1939 or about 57 percent of the sales reported in the general merchandise group by the Census of Business.
2/ Net worth is the sum of common and preferred stocks, surplus, and surplus reserves. The return has been calculated on the average of net worth at the beginning and end of each year.

Adapted from United States Office of Price Administration. Corporate Profits. Part I--1936-42, War Profits Study 10. 170 pp., illus. 1945. (Processed.) Part II--1943, War Profits Study 11. 90 pp., illus. 1945. (Processed.) Part III--1944, War Profits Study 12. 59 pp., illus. 1945. (Processed.) The basic data in this report are from Moody's Industrials, New York. (Semiweekly); Standard and Poor's Corporation Records; and Office of Price Administration Financial Reports.

Median profits, after Federal income and excess-profits taxes, as proportions of net sales and of net worth for department stores and other retailers of apparel increased considerably from 1939 to 1943 (table 29) (4). A simple average of these proportions shows an increase from about 2.2 percent of net sales in 1939 to almost 3.8 percent in 1943 and an average of 3.3 percent during the 5 years 1939-43. Similar averages of median profits as proportions of net worth increased from 5.4 percent in 1939 to almost 13 percent in 1943 and averaged 9.5 percent during the 5-year period.

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Table 29 .- Median profits for retailers of apparel as proportions of net sales and of tangible net worth, United States, 1939-43 1/

Kind of product	Net profits 2/ as proportion of net sales 3/					
	1939	1940	1941	1942	1943	Average 1939-43
	Percent	Percent	Percent	Percent	Percent	Percent
Clothing, installment	2.89	5.42	4.81	4.13	4.18	4.49
Men's and boys' clothing	2.39	3.33	4.02	3.87	3.92	3.51
Department stores	2.03	2.50	3.49	3.43	4.05	3.10
Women's specialty shops	1.31	1.34	2.82	2.85	2.95	2.25
	Net profits as proportion of tangible net worth 4/					
Clothing, installment	5.77	9.95	10.79	10.01	11.94	9.69
Men's and boys' clothing	5.67	7.42	11.64	11.58	12.40	9.74
Department stores	5.57	6.37	10.45	10.85	13.05	9.26
Women's specialty shops	4.64	4.65	11.80	11.37	14.54	9.40

1/ The number of concerns reported ranged from 36 for retailers of installment clothing to 353 for department stores.

2/ Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; after reserves for Federal income and excess-profit taxes; after reserves for renegotiation in the case of war contracts; after reductions in the value of inventory to cost or market, whichever lower; after charge-offs for bad debts; and after all miscellaneous reserves and adjustments; but before dividends or withdrawals.

3/ The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales, and after voluntary price deductions on the part of war contractors.

4/ The sum of all outstanding preferred stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stocks, organization expenses, and underwriting discounts and expenses.

Abstracted from a report by Foulke, Roy A., National Thrift and the Public Debt (Dun and Bradstreet, Inc.) 79 pp. 1944.

Market outlets for cotton products might be expanded considerably by broad and constructive efforts to promote widespread consumer appreciation of the contribution these products can make to higher post-war living standards. Prompt and effective means of acquainting consumers with the qualities and properties of the new materials, constructions, and finishes becoming available in consumer markets would be a step in this direction. Although much wearing apparel and many other items are bought primarily on the basis of style and superficial appearances rather than durability and other qualities, a greater consumer understanding of the qualities afforded by different materials, constructions, and finishes would contribute to better selection of goods to meet the individual consumers' needs, and would help to eliminate consumer disappointments and dissatisfaction. Widespread complaints of the deterioration in quality of cotton goods during the war indicate that the mass of consumers are already quality conscious, even though they lack adequate bases for judging quality before they buy (9).

Improved standards of consumer buying may be facilitated by the extension of legal requirements for informative labeling based on adequate standards or specifications. Such developments would enable sales to be made by description for a wider range of products; facilitate the activities of governmental agencies, consumers' organizations, and other groups seeking to promote intelligent consumer buying; increase consumer appreciation of the satisfactions that quality goods can afford; and contribute to the maintenance of large market demands for cotton goods. Such standardization and labeling would also facilitate expansion in total volume of sales through educational advertising. To be most effective, this advertising would need to be supplemented by a pricing policy aimed at sharing with consumers the gains of technical research through a generally lower relative level of prices for quality merchandise.

Means of maintaining relatively low prices for quality cotton products include methods of increasing the general efficiency of existing agencies, the concentration of services in the hands of agencies or combinations of agencies that can render them most efficiently, and reductions of the "unnecessary" services rendered. Improvements in the general efficiency of existing agencies include problems of organization and operation, personnel selection and management, location of places of business, number and kinds of commodities handled, volume of operation, and purchase and sales policies. Available information relating to the various phases of the problems involved is so limited that the extent to which it would be feasible to increase the efficiency and to reduce the costs of distributing these products by improvements in general efficiency of existing establishments cannot be indicated. But a classification of operating costs according to functions and by objects of expenditure and a careful analysis of these costs would be of great assistance in this connection (8).

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Information relating to operating results of existing agencies indicate that the margins or costs might be reduced considerably by concentrating a larger proportion of the services in the hands of the larger and more efficient establishments. The possibility of reducing

operating expenses of wholesalers, for example, by increasing the volume of business appears to be supported by census data for the wholesale trade in 1939. Based on these data, a comparison was made of the proportion of total sales represented by operating expenses for wholesalers with volumes of sales of $1,000,000 or more per year and for those with volumes of $100,000 to $200,000. This comparison shows that average expenses of wholesalers with the smaller sales volumes exceeded those of wholesalers with the larger sales volume by 31 percent for those handling men's and boys' clothing and furnishings; 8 percent for those handling women's and children's clothing and furnishings; 17 percent for those handling hosiery and lingerie; 91 percent for those handling cotton piece goods; 96 percent for those handling silk, linen, rayon, and velvet piece goods; and 122 percent for those handling woolen and worsted piece goods (18).

Information relating to operating expenses of wholesale dry-goods houses for the 7 years 1938-44 shows that total operating expenses per dollar of sale for houses with annual volumes of sales of less than $500,000 averaged almost one-fifth greater than those with annual volumes of sales of over $2,000,000. Although factors other than differences in size may also be involved, it would appear reasonable to assume that these differences in operating expenses may be attributed in part, at least, to differences in efficiency arising from differences in volume of sales. If this assumption is justified, it would appear that per unit costs might be reduced by increasing the proportion of the total volume handled by the larger wholesalers or by increasing the volume handled by the smaller wholesalers.

Large retail distributive organizations, such as mail-order houses, department store chains, and large specialty retail chains, have demonstrated their ability to handle large-volume items on relatively small margins (9). Some of the economies may be attributed to the elimination of one sales-purchase transaction by these retailers obtaining their products directly from manufacturers. In 1939, according to census reports, about two-thirds of the apparel and other products made from fabrics and similar materials was distributed from manufacturers directly to retailers, including chains. A part of the economies may also be attributed to saving from handling large volumes. Additional saving may be made through further combinations and increases in volumes handled.

The efficiency of the smaller retailers may also be increased by expansions in the activities of large organizations which provide purchasing and merchandising services to the smaller independently-owned and operated stores (9). Such services, by aiding the smaller stores to secure better selections of merchandise, better control of stocks, and increased rate of turn-over, may enable them to approximate the merchandising efficiency of the larger distributive outlets. Such increased efficiency would tend to react favorably on the level of retail prices to consumers and to expand market outlets for cotton products.

Combinations of two or more of the successive links in the chain of cotton manufacturing and the distribution of the products represent an important means of achieving production and distributive economies, and a closer linkage between production planning and ultimate consumer markets (9). Such integration may afford better control of the quality of finished goods made available to consumers and facilitate sales through standardization of products, branding or informative labeling, and educational advertising. Experiences before the war indicated both possibilities of and limitations to integration in the cotton textile industry (2, 8 and 11). Price and production regulations during the war were at certain points favorable to the extension of unified control, according to a report of the Textile Foundation, and recent announcements of important mergers in the textile field are said to indicate continuing and perhaps growing interests in the possibilities of further combinations (9).

Considerable savings in costs of retailing might be made if such services as credit, free delivery, and return privileges were limited to those willing to pay the necessary costs of rendering them. This would necessitate a differential pricing system which might be difficult to operate, especially if other competing stores did not adopt the same policy. Some progress already has been made in this direction by some stores concentrating on cash-and-carry sales while others sell on credit and make deliveries. Stores have also experimented with differential prices on the basis of the services rendered but available information is not complete enough to serve as a basis for an adequate appraisal of the results. Progress has been made in reducing delivery costs by setting up minimum sizes of packages that will be delivered, and the proportion of total sales returned for credits has been reduced in recent years (14). But for restrictions of these services to be feasible, all competing stores in the same city probably would have to follow the same practices.

Results of a recent survey of 69 department stores in the western part of the United States, made by N. H. Comish of the University of Oregon, indicate that more than half of them expect to increase their credit sales in the postwar period by more than one fifth of net sales, on the average, over prewar sales (3a). Information he obtained relative to postwar plans for services indicates that about 60 percent of them expect to return to their prewar delivery schedules, 30 percent to selling goods on approval, 80 percent to gift wrapping, 70 percent to C.O.D. sales, 40 percent to inscribing customers' names on articles, and 80 percent to taking special orders (3a).

Advertising is generally recognized as an effective means of expanding market outlets for particular makes or brands as well as the total for all textile products. Such increases in volume may make possible some reductions in average per unit costs of distribution. Perhaps the least effective advertising, for the industry as a whole, is that designed mainly to induce consumers to use one particular brand or make instead of another of about the same quality and generally

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referred to as competitive advertising. 13/ If advertising were confined more to informative and less to strictly competitive features and were placed on a more efficient basis, market outlets for cotton products might be expanded and costs of distribution reduced by this means. In recent years, costs of advertising to wholesalers and retailers of women's and men's clothing averaged about 4 percent of the retail price. 13/

Results of a recent survey of 70 department stores in the western part of the United States, made by N.H. Comish (3a), indicate that, of the 69 store executives that reported on advertising, 35 indicated that they intend to increase their advertising expenditures in the postwar period over those in the prewar years by as much as 2.5 percent of net sales, on the average. Out of 68 replying to the question on display, 44 indicated plans to increase expenditures for displays in the postwar period over those of prewar days as much as 1.7 percent of net sales on the average (3a).

Style and changes in fashion are important elements in the costs of distributing textile products as well as in their manufacture. The large number of styles and frequent changes in fashion increase costs of wholesaling and retailing by necessitating frequent purchases of relatively small lots of the styles in fashion at the time. The alternative is to bear the risks of substantial losses on stocks of out-of-fashion goods on hand after the fashion changes. Data relating to distributors' margins for women's dresses by price lines show that retailers' margins per dollar of sale for handling the higher-priced dresses where style was an important consideration were in some instances more than 25 percent greater than those for handling the lower price lines for which style and changes in fashion were relatively unimportant (2, pp. 125-128). These data, along with other information, indicate that wholesalers' and retailers' margins could be reduced considerably if the number of styles and the frequency of change in fashion were greatly reduced. But an adequate variety of styles and changes in fashion stimulate increases in consumer buying.

Developments in recent years indicate that retailers' margins for textile products might be reduced considerably by the simplification of the selling process so as to permit and encourage some degree of self-service and self-selection by the customer. Such services may be facilitated by open display of merchandise, arranged on the basis of the customers' primary interests, and by arrangements for completing the transaction by making payment at a convenient desk set up for that purpose. 14/ The feasibility of simplifying the selling process has already been demonstrated in actual practice. It was pointed out by Wolf that self-service grocery stores freed the consumer from the slow process of depending upon the clerk to assemble her purcheses, variety stores demonstrated the expandability of consumer demand as a result of merchandise display, department-store chains extended the principle of

13/ United States Federal Trade Commission. Distribution Methods and Costs. Part V, Advertising As a Factor in Distribution. 9 pp. 1944. (Processed.)

14/ Wolf, C. E. A Manual on Simplified Service for Department, Specialty, and Dry Goods Stores. U. S. Bur. Foreign and Dom. Com. (In press.)

open display to many commodities not heretofore sold in this manner, and ready-to-wear specialty stores simplified shopping by displaying merchandise by size.

The Harvard Bureau of Business Research made a survey of department stores in 1943 and in 1944 to find out how extensively store executives were experimenting with self-service and self-selection and what their plans were for the future (10 and 15). The results show that of 170 stores in 1943 and 179 in 1944 that supplied the information requested, 17 percent used self-service or self-selection methods in one or more department stores in 1943 and 15 percent used these methods in 1944. Of the 114 stores in 1943 and 127 in 1944 that provided information on plans for the future, 9 percent of those reported in 1943 indicated plans to extend self-service and self-selection and only about 4 percent of those reported in 1944 indicated an intention of undertaking any new applications of self-service techniques. Self-service and self-selection methods have been used in selling men's furnishings, boys' wear and underwear, infants' wear, children's wear, sportswear, linens, curtains, towels, and other textile products.

Self-service makes possible a reduction in retail margins mainly by reducing pay-roll costs which average about one-half of total operating expenses of retailers. Although the available information is not adequate for accurate appraisals, the indications are that by the use of self-service, operated under favorable conditions, retailers' margins for textile products might be reduced by amounts up to 10 percent or more. Accurate labeling to show the quality and size of the products on the basis of adequate standards and other economies in retailing would make possible substantial reductions in costs of distributing textile products to the advantage of both producers and consumers.

Importance of Reducing Costs of Distribution.- Some indications of the importance of reducing costs of distributing cotton products may be obtained from data showing that margins for wholesaling and retailing textile products in 1939 averaged about 40 percent of the retail price of the finished goods and about five times as much as the returns to growers for the cotton used in their production. Retailers' margins alone averaged about one-third of the retail price of the finished goods and about four times the returns to growers for the cotton used. In other words, a reduction of 10 percent, for example, in wholesalers' and retailers' margins in 1939 would have amounted to about as much as one-half of the returns to growers for farm production of the cotton used. It would have amounted to substantially more than the margins for ginning and baling the cotton and for rendering all the services incident to taking cotton from gins and delivering it to mills.

Additional Information Needed

Upon reflection, it is apparent that the information presented relative to the techniques, costs, and margins in distributing cotton products is not complete enough to supply an adequate basis for a correct appraisal of the present and postwar situation and developments; for formulating feasible means of increasing efficiency, reducing costs, and expanding outlets for these products; and for indicating the relative

importance of such improvements. Additional information is needed to show for each kind of agency--spinners, weavers, dyers and finishers, knit goods manufacturers, apparel and household goods manufacturers, wholesalers, and retailers--(1) the services rendered in distributing specific kinds of gray goods, finished goods, and fabricated products through the various outlets; (2) the charges or costs involved and the relative importance of the items of cost included; (3) how the total costs and costs for individual items vary with the type and size of the business, organizational set-up, equipment and facilities used, and method of operation; and (4) conditions under which improvements might be made. Rather comprehensive and detailed surveys of each and all agencies engaged in the distribution of cotton products would be required to obtain this information.

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